

ist in Money

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TODAY:
STAGE
FOR THE STAGE
Page 13

Tehran Tells Military to Prepare for Afghanistan

Taliban Vows Revenge If Iran Troops Attack Over Envoys' Slayings

By Douglas Jehl
New York Times Service

TEHRAN — The supreme leader of Iran, Ayatollah Sayed Ali Khamenei, told the country's military and top civilian officials Tuesday to be ready to carry out "speedy, timely and forceful implementation" of impending decisions in a crisis over Afghanistan.

The directive stopped short of a full military alert, senior Iranian officials said. But it was enough to prompt a furious response from the militant Taliban movement in Afghanistan, which vowed to strike back at Iran if Tehran makes good on repeated threats to use military force against the Taliban.

About 70,000 Iranian Revolutionary Guards, along with tens of thousands of regular soldiers, are deployed near the Afghan border area, where they face what the Taliban has said is its own force of about 25,000 troops.

In response to the new threats, a Taliban spokesman, Wakil Ahmed, told the Afghan Islamic Press: "Iran must know that if the soil of Afghanistan is attacked, we will target Iranian cities, and the entire responsibility will rest with Iranian authorities."

Iran is seething over the recently confirmed killings of at least eight Iranian diplomats and a journalist by Taliban forces. Ayatollah Khamenei's call for heightened readiness was clearly intended to increase pressure on the Taliban, which controls most of Afghanistan.

Not only have Iranian officials vowed to avenge the deaths of the diplomats, but they have also said the Taliban must be held accountable for a campaign of atrocities against minority Shiite Muslims, of whom Iran sees itself as a guardian.

United Nations officials have validated at least some of the atrocity accusations, made also by international human rights groups. The UN officials reported that Afghan refugees reaching Pakistan had given credible and chilling accounts of the deliberate killings of large numbers of Shiite civilians in the northern town of Mazar-i-Sharif last month.

A spokesman for the UN High Commissioner for Refugees said in a telephone interview Tuesday that refugees who fled the town after it was overrun by Taliban forces Aug. 8 had "very consistently" provided reports of house-to-house searches that targeted Shiites for execution.

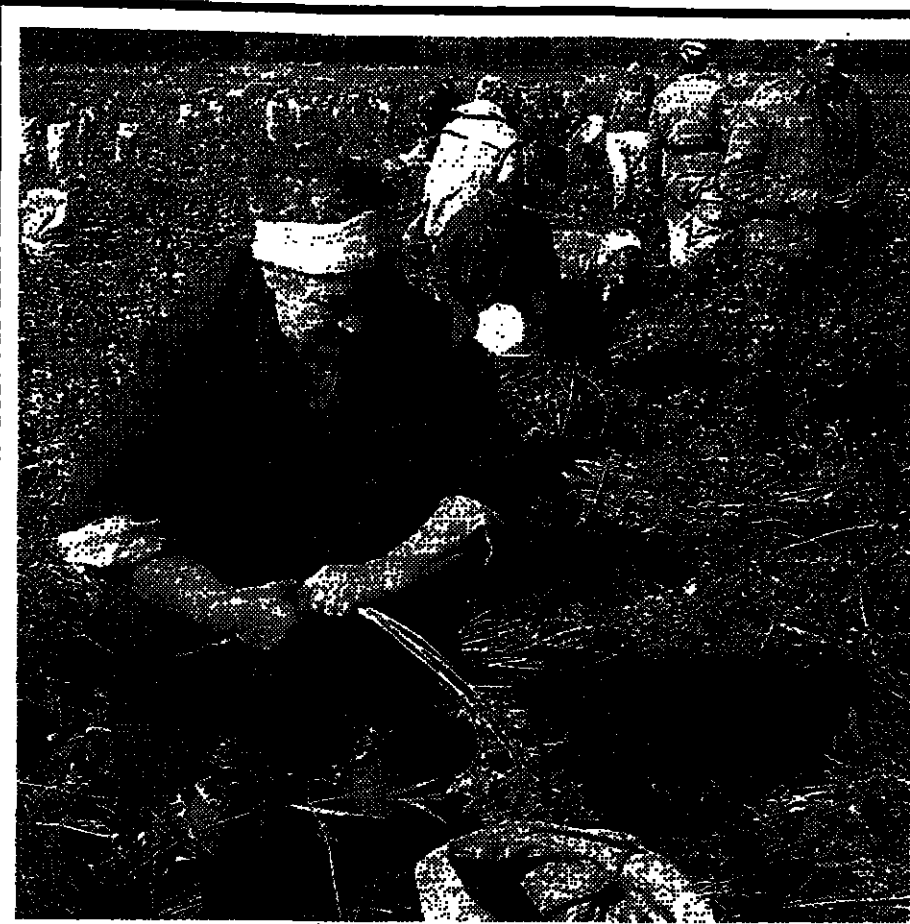
The spokesman, Rupert Colville, said that in interviews with UN personnel, the refugees had also reported that bodies of some of the dead were left in the street for several days and that other Shiites had been loaded into containers that were then hauled away by truck, causing some inside to die of heat or suffocation.

Accounts by international human rights groups, including the London-based Amnesty International and the New York-based Human Rights Watch, have cited even more grisly claims of crimes against Shiites, including the cutting of throats and severing of hands by the Taliban, which is made up of purist followers of Islam's dominant Sunni faith.

Iran has condemned the killings as genocide and warned that more killings may be under way in the central Afghan city of Bamian, captured by Taliban forces over the weekend.

Taliban spokesmen have repeatedly denied that their forces committed eth-

See IRAN, Page 12



24-CARROT OPPORTUNITY — Russian soldiers working with pensioners to harvest carrots so that both groups can eat during the financial crisis. The ruble fluctuated wildly in Moscow on Tuesday, finally dropping 27 percent against the dollar as the new head of the central bank called for the printing of more rubles to pay back wages — a move that some economists fear could unleash hyperinflation. • Russia is facing foreign-debt default that is believed to be nearing \$200 billion. Page 15.

The Pentagon and Clinton, Again

Military View of Scandal Is 'Don't Ask, Don't Tell'

By Bradley Graham
Washington Post Service

WASHINGTON — Throughout the controversy this year stemming from President Bill Clinton's relationship with Monica Lewinsky, the nation's military leaders have had little to say in public about the crisis embroiling their commander in chief.

Privately, some acknowledge deep concerns that the president's adulterous affair and misleading statements may cause a devastating and irreparable erosion in his standing among service members and further damage sagging morale in the ranks. But they have taken no steps to survey the impact on military opinion, and several high-ranking officials observed that, whether out of personal courtesy or some other reason, the subject has rarely come up in their own contacts with troops.

Mr. Clinton on Tuesday held one of his periodic meetings with the senior generals and admirals who head the military services and major regional commands. While the military chiefs hoped to use the session to highlight increasingly disturbing shortfalls in personnel, training and spare parts, the air of political crisis surrounding Mr. Clinton has complicated the Pentagon's determined efforts to try to maintain the appearance of business as usual.

As the rest of Washington is filled with talk about law and ethics, defense officials have seemed bent on holding in

See PENTAGON, Page 10

Questions Arise in Asia Over President's Clout

By Don Kirk
International Herald Tribune

SEOUL — Ambassador Stephen Bosworth leaves for Washington on Thursday in an exercise in reverse diplomacy. Ordinarily responsible for representing the United States in South Korea, he will spend the next week lobbying members of Congress who are reluctant to approve \$30 million to provide heavy oil for energy-starved North Korea.

Winning approval of the funding, as outlined in a 1994 agreement intended to stop Pyongyang's nuclear program, would be a tough assignment under any circumstances. But Mr. Bosworth, a veteran diplomat who has also served in the White House, says he may now face a special handicap: Can he count on President Bill Clinton to make those crucial arm-twisting telephone calls that may be needed to bring recalcitrant members of Congress into line?

In Asia, where U.S. policy is pivotal as the region endures economic hardship and where Mr. Clinton travels this fall for a summit meeting, similar questions are being raised by experts and analysts about the clout and effectiveness of a president under a dark cloud.

The president "is not at a high point of influence," said Robert Gallucci, who served in the Clinton administration and led the negotiations on the deal with North Korea, under which it agreed to end its development of nuclear weapons if

See ASIA, Page 10

Clinton's 'Legal Jousting': He's in a Box

By Ruth Marcus
Washington Post Service

WASHINGTON — As his party demands that he jettison his lawyers' arguments, President Bill Clinton finds himself in an excruciating box, left with a choice between either alienating those he needs to survive or potentially making himself vulnerable to even greater jeopardy both in Congress and in court.

On the one hand, it has become painfully clear to Mr. Clinton's team that his legalistic, definition-parsing defense on the issue of lying was not convincing lawmakers to turn away from impeachment proceedings but rather further inflaming their anger at the president.

On the other hand, the alternative approach demanded by Democratic Party leaders — to stop what the Senate minority leader, Thomas Daschle, Democrat of South Dakota, called the "legal jousting" and simply say that he lied under oath — poses grave risks for the president both in Congress as it considers whether to launch a full impeachment inquiry and in the hands of the independent counsel, Kenneth Starr. (Page 3)

While Mr. Clinton has admitted an improper relationship

See CLINTON, Page 10

Arafat's Gamble: A Desert Casino — for Israelis

By Deborah Sontag
New York Times Service

JERICHO — In the shimmering heat of the desert, a fancy new mirrored building, the Oasis, rises like a mirage on the highway between Jerusalem and the Dead Sea.

With a dash of Las Vegas and a sprinkle of Abu Dhabi, the Oasis, which opened on Tuesday night, is Yasser Arafat's capitalist gamble: a glitzy, Austrian-run casino that will cater to Israelis and bar Palestinians.

It is the first large, for-profit international investment in Palestinian ter-

ritory, a \$30 million project intended to generate millions in tax revenues for the cash-strapped Palestinian Authority.

The managing company, Casinos Austria, sees the Oasis as an airtight bubble inside the contentious Middle East, a gilded palace of slot machines and blackjack tables that — with its lack of windows and its heavy air conditioning — could be anywhere in the world.

"People come to a casino basically to forget about the situation outside," said Alexander Tucek, the casino director.

But the Oasis, ringed by a steel fence,

directly faces a hardscrabble refugee camp. And it sits at the edge of a sleepy Muslim town of 20,000 whose fundamentalist residents, though they live in the shadow of the biblical Mount of Temptation, disapprove of gambling. It is a venture riddled with the contradictions of the region.

The Israeli government, on religious grounds, forbids casinos, but many Israelis love to gamble, flocking to Taba, Egypt, just across the border from Eilat.

They will be the customers, albeit somewhat begrudgingly because of

their anxieties about personal security.

The Palestinian Authority, on the other hand, permits casinos, but most Palestinians, on religious grounds, do not gamble. And if they did, the Palestinian Authority, bowing to Islamic fundamentalists, wouldn't let them in.

They will be part of the work force, also somewhat begrudgingly, because they have to reconcile their traditional values with their economic needs.

"This is a form of cooperation between Israelis and Palestinians that the

See GAMBLE, Page 12

Expectations Grow For U.S. Rate Cut

Global Approach Seems Unlikely

By Tom Buerkle
International Herald Tribune

LONDON — Despite promises of coordinated action to support global economic growth by major industrial nations and President Bill Clinton, financial markets on Tuesday continued to place most of their hopes on one man: Alan Greenspan, chairman of the U.S. Federal Reserve Board.

Interest rates are the one tool that can have a quick impact on market sentiment. And with Japanese rates now down to almost zero and European central bankers preoccupied with the imminent introduction of the single currency, only the United States has the scope to make a significant reduction in rates that could pump money into struggling economies, analysts said.

"There needs to be some global leadership," said Avinash Persaud, currency strategist at J.P. Morgan in London. "We need to see an injection of global liquidity. The one country that can do that is the United States."

Mr. Clinton's promise of economic leadership, in a speech Monday, helped to steady major stock and bond markets Tuesday. But the expectation that the United States would have to take the lead in cutting rates triggered a fall in the dollar, which would be undercut by such a move.

Speculation about lower rates was fueled by a statement issued Monday by finance ministers and central bank governors of members of the Group of Seven industrial nations. Dovetailing with Mr. Clinton's comments, the statement said that the balance of risks in the global economy had shifted away from inflation toward a slowdown of growth as a result of the economic crisis in Asia and other emerging markets. It also promised close cooperation to sustain growth and financial stability.

But the president of the central bank of Germany moved quickly Tuesday to play down expectations of a coordinated cut in interest rates. Speaking in Frank-

furt, the central banker, Hans Tietmeyer, said there was no reason to lower rates in Europe because domestic growth was accelerating, in contrast to the recent weakening of the U.S. economy. He also said Europe needed to concentrate on setting the appropriate, single interest rate for the 11 countries that will adopt the euro in January.

"It would be wrong to see in the statement by the G-7 on Monday a signal of a general monetary easing," he said. "The situation in the United States is different from that in Continental Europe."

Short-term rates in Germany and France already are near historical lows at 3.3 percent, compared with 5.5 percent in the United States, a fact that makes German authorities loath to ease, analysts said. And overall European monetary conditions will effectively ease if rates in the 11 countries adopting the euro converge at 3.30 percent, as most economists now expect. The average rate among the 11 now stands around 3.80 percent, with Italy's short-term rate still at a relatively lofty 5 percent.

See ECONOMY, Page 16

The Dollar		
New York	Tuesday 4 PM	previous close
DM	1.691	1.6955
Yen	133.98	132.45
FF	5.666	5.6907
£	1.6765	1.678
The Dow		
New York	Tuesday close	percent change
	8,024.39	+ 0.99%
S&P 500		
New York	Tuesday close	percent change
	1,037.65	+ 0.77%
Nasdaq		
New York	Tuesday close	percent change
	1,677.97	+ 0.74%

Schroeder Turning to Left

German Challenger Drops New Middle Strategy

By John Vinocur
International Herald Tribune

FRANKFURT — Up on the stage, a warm-up band with a name that sounds like the Spastic Turtles pumps it out, and its leader, who says he's Bruce from L.A., bops distractedly to the riff.

Roadies fiddle with the blue backdrop curtain that has the phrase The New Middle woven into it in big black letters and make another sound check at the podium that has the same message tucked in front of the mike: The New Middle.

In 20 minutes, Gerhard Schroeder arrives at Roemerberg Square, and 25 minutes later, it was a fair question to ask if the stage equipment with its single keynote slogan could have been sent to the wrong rally.

"We're ready to work with business, but we cannot be blackmailed and held hostage," the Social Democratic candidate for chancellor roars.

And: "I clearly say to you that I never allow the question of higher education to depend on Mama and Papa's money belt."

And: "We'll double the budget," for training and re-education. "Yes, we can afford it."

The New Middle? The catch-line that throughout the early months of the campaign that was meant to characterize Mr. Schroeder as a modernist, at ease with restructuring the tired German Model, and so scornful of the doctrine left as to draw a flood tide of votes from the country's ever-widening center? Not a word.

The charm is there for the friendly crowd, and the candidate's marvelous, half-embarrassed, half-killer smile, but by attentive count, not even a glancing mention of what was once the Schroeder totem.

At the end of last week, before the Social Democratic Party's poor results in the Bavarian regional election were in to chill the party, the front-runner had altered his approach.

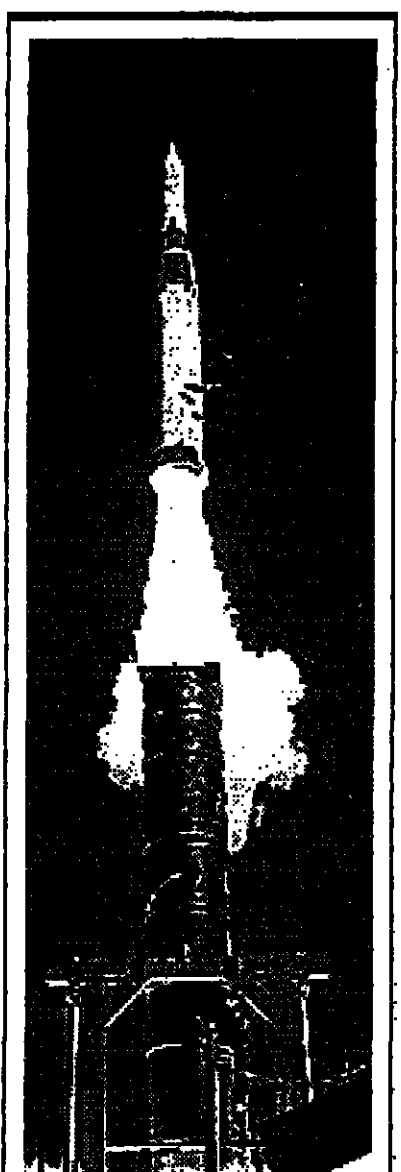
Now, in the stretch chase for votes on Sept. 27, with Chancellor Helmut Kohl seemingly nudging at what the polls say

General Election in Germany

is Mr. Schroeder's lead, the essential pitch in Frankfurt on a rainy afternoon had been re-calibrated to aim at pulling together the party's traditional constituency in the west and the potentially strong left vote in the former East Germany, where the old Communist Party has been firmly reconstituted as the Party of Democratic Socialism.

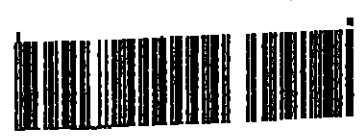
From the evidence, Mr. Schroeder no longer thinks he is hoping to certain victory — and that turning his back on the center and toward the left is his best

See GERMANY, Page 12



BLASTING OFF — Israel's new anti-missile missile is fueling debate on defense. Page 12.

Newsstand Prices	
Andorra	10.00 FF Lebanon
Antilles	12.50 FF Morocco
Cameroon	1.600 CFA Qatar
Egypt	10.00 FF Réunion
Gabon	1.100 CFA Saudi Arabia
France	10.00 FF Senegal
Italy	2.200 Lire Spain
Ivory Coast	1.250 CFA Tunisia
Jordan	1.250 JD U.A.E.
Kuwait	700 Fils U.S.M. (Eur)



EU Allows Viagra But Sets Controls

The European Commission approved the sale throughout the community of a medicine to correct a problem of "erectile dysfunction," but with some conditions and with health warnings. Some countries are apprehensive about a potentially huge impact on budgets and curtailment of other health services. They will refuse to provide prescriptions for cost-free supplies of the drug to men. Page 6.

AGENDA World Bank Approves Loans for Ukraine

WASHINGTON (Reuters) — The World Bank approved \$600 million in loans for Ukraine on Tuesday, aiming to help the former Soviet republic shore up its economy and develop a competitive banking system. The Bank approved a \$300 million financial sector development loan and a \$300 million enterprise development loan. The money will help the govern-

Albanian Resisters Surrender Tanks

TIRANA, Albania (AP) — Followers of Sali Berisha surrendered two tanks Tuesday after the government said it was ready to take weapons from the opposition in "an abrupt attack." Prime Minister Fatos Nano guaranteed the former president's safety and opened the way for a settlement of the crisis that brought two days of violent riots to Albania. Earlier article, Page 6.

The Oslo Promises Fail / Support for Hamas Inches Higher

For Gaza, Peace Just Means More Poverty

By Lee Hockstader
Washington Post Service

GAZA — In the Jabalya refugee camp, a slice of real estate twice as crowded as Manhattan and scarred with rancid fields of garbage, Hussein Radwan counts as one of the lucky ones. He has a job.

Granted, the work is not much. Mr. Radwan spends six days a week bent over a sewing machine in a sweatshop whose single concession to comfort is an overhead fan that stirs the thick summer air. For a 12-hour day stitching together denim skirts, he makes \$3.40 — just 45 cents an hour.

But with well over a third of Gazans looking for work, Mr. Radwan knows better than to complain.

"In this job I can learn new skills," the 17-year-old Palestinian said. "Things could be worse."

For many Palestinians, they are. And that has come as a bitter shock to people here who were certain that the 1993 Oslo accord with Israel would deliver at least a measure of prosperity along with its promise of peace.

Instead, most Palestinians have got poorer since the peace agreement was signed five years ago. Incomes, buying power and private investment have plunged while the numbers of families living in poverty have swelled.

That is particularly true in Gaza, a 140-square-mile strip of sand, sun-scorched apartment blocks and squalid refugee camps stretched along the Mediterranean Sea.

It was the Jabalya refugee camp that gave birth to the intifada, the 1987-93 uprising against the Israeli occupation. But residents say the mood today in Jabalya, if anything, is meaner and more sullen than in the adrenaline-charged days of the intifada, when a generation of teenagers came of age in daily battle with the Israelis.

NOW, the Israeli soldiers have withdrawn from most of Gaza, leaving rising poverty, crowding and bitterness in their wake. "The economic situation in Gaza has deteriorated dramatically in the years of peace, which is a very strange phenomenon," said Khaled Abdel Shafi, a Palestinian economist who sits on the Gaza city council.

At first there was a lot of talk of Gaza becoming the Singapore of the Middle East. That is why, to a great extent, people supported the peace agreement, which in many ways is a bad deal for the Palestinians. They hoped at least the economic situation would improve.

The fear is that Palestinians will give up on the fraying Middle East peace process as their hopes for prosperity fade. Already, support is inching higher for Sheikh Ahmed Yassin, founder and spiritual leader of the militant Islamic group Hamas, according to polling data.



Youngsters in a crowded Gaza refugee camp: A crisis measured not just in terms of declining income but also of declining hope.

If peace means impoverishment, some Palestinians say, why should they support it?

The question is all the more apt given the benefits the Oslo accord has brought to Israel.

Although the Israeli economy has lately hit a rocky patch, with joblessness creeping toward 10 percent, it boomed in the mid-1990s. Most Israelis are better off now than they were when Prime Minister Yitzhak Rabin and Yasser Arafat shook hands at the White House five years ago. The same cannot be said for Palestinians, however, especially in Gaza.

"The Palestinian economy is in crisis — a crisis measured not just in terms of declining income but also of declining hope," Stuart Eizenstat, a U.S. undersecretary of state, told an Israeli audience in June. "We are at risk of diminishing the constituency for peace, not only among the public at large but increasingly among Palestinian business people."

To understand one of the reasons why the Palestinian economy has nose-dived, it is helpful to pay a predawn visit to the Erez Crossing, one of the few transit points between Israel and the Gaza Strip.

At 5 A.M., a half-moon still hangs in the purplish sky, but the rush for the exits has already begun for an hour. Swarms of men — few women make the crossing — walk briskly to the Israeli security checkpoints, smoking their first cigarettes of the day.

About 50,000 Palestinian workers, half of them from Gaza, cross into Israel proper every day to work in fields, factories, homes and gardens. By Palestinian standards, their wages are good — two or three times more than they could earn for a day's work in Gaza.

Yet the number of Palestinians authorized to work in Israel is down by half from a decade ago. From Gaza, it has fallen by two-thirds.

Beginning with the intifada, Israel slashed the number of Palestinian workers it admitted each day. While the government has gradually eased up in the last two years by handing out more work permits, this has not made up for the lost earnings.

In addition, sporadic Israeli closures of Gaza and the West Bank in response to Palestinian terror attacks prompted Jewish-owned businesses to seek a more reliable supply of labor. That led the previous government of Israel to admit a huge influx of foreign workers.

The result: dwindling demand for Palestinian workers and less cash coming into Gaza's economy, where incomes are already half those of the West Bank — and a tenth those in Israel.

"Savings are gradually being exhausted," said Mr. Abdel Shafi, the city council member. "People are selling their valuables."

Assistance from abroad compensates somewhat for a drop in private savings, he said, "but it won't go on forever."

Palestinian and foreign analysts also have blamed Israeli policies for the isolation of Gaza residents from their natural economic partners, the 1.7 million Palestinians in the West Bank. Some 16,000 Palestinian businessmen — from Gaza and the West Bank — have permits to enter Israel every day, but only 800 are allowed to travel freely between Gaza and the West Bank.

The Oslo accords offered a blueprint for what amounted to a free-trade zone between Israel and the West Bank and Gaza. But what has evolved in practice is very different. Israel does not charge duty on products from Gaza or the West Bank, but its stringent security checks result in delays, higher transport costs and uncompetitive goods.

"I've seen them X-ray ice cream in the summer, taking it out of the truck box by box," said Salem Ajluni, an American economist working for the UN. "I've seen eggs scanned by metal detectors."

IRA Refuge in Ireland Says a Loud 'No More'

By Warren Hoge
New York Times Service

DUNDALK, Ireland — This town 13 miles from the border with Northern Ireland once harbored so many Irish Republican Army safe houses, underground weapons networks and gunmen on the run that the police called it "El Paso."

"People here were very resentful of that name," said Kevin Mulligan, 55, editor of the weekly Argus newspaper, referring to the Wild West connotations. "But with time they came to realize it wasn't too far off the mark."

Out of a mixture of lingering sympathy for the plight of Catholics in the North and fear of reprisals from vengeful local IRA men, residents of Dundalk kept any misgivings to themselves.

When the town of Omagh was bombed on Aug. 15, killing 29 people in the most deadly single attack of Northern Ireland's three decades of violence, the police suspected guerrillas based here, and the residents of Dundalk found themselves newly stigmatized. This time they spoke up.

"What we're saying, and saying very strongly, is that there is no hiding place for terrorists in this town," said John Woods, 57, a Dundalk lawyer who with Mr. Mulligan and four businessmen organized a protest rally in the courthouse square. By police count, 15,000 people, half the town's population, showed up.

The most overused symbol of the stubbornly confrontational politics of Northern Ireland is the line in the sand, but here in Dundalk, the onetime refuge of the men of violence, one may really have been drawn.

"We are saying that this is not a part of us, people who do these things do not represent our community," said Brian O'Neill, 55, owner of a century-old family business, R. Q. O'Neill hardware and gifts.

Dundalk's defiant rejection of its association with bloodshed is being cited as an emblem of what is happening throughout the Irish island. "I'd be an optimistic sort of person to begin with," Mr. Woods said, "but Ireland is now united as never before."

Optimism is a sudden newcomer to the North, but it's getting a warm welcome. People are daring to put their frequently battered faith in a political solution to the conflict, and there are convincing signs of cooperation in Belfast between leaders of the warring Catholic and Protestant communities that have battled and shunned each other for generations.

Dundalk is a bustling provincial town with storefronts in lively colors and corner pubs that ring with the hearty sounds of blarney.

Once a center for brewing, shoe manufacturing and the building of railway rolling stock, Dundalk has shared in Ireland's new prosperity with multinational firms like Xerox and Panasonic sipping factories here.

Dundalk was brutally reminded of its old role in the Northern Ireland struggle when responsibility for the Omagh bombing was claimed by renegade republican paramilitaries called the Real IRA organized out of here.

"Here we go again," Mr. O'Neill remembers thinking along with his shock and revulsion. "Everyone's going to blame Dundalk."

The Real IRA, made up of former members of the Irish Republican Army unhappy with the group's cease-fire, viewed the April peace settlement as a sellout of republican ideals and set out to undermine it with violence.

Police officials have identified its military head as Michael McKevitt, 49.

a Dundalk man who once was the quartermaster general in charge of the IRA's vast arsenal of weapons. The deputy chairman of the group's political arm, the 32-County Sovereignty Committee, is his common-law wife, Bernadette Sands-McKevitt, 40, the sister of Bobby Sands, a republican who died in a prison hunger strike in Belfast that drew international attention.

The McKevitts live in Blackrock, five kilometers (three miles) out of town on Dundalk Bay, and they run The Print Junction, a photocopying, picture framing and souvenir shop in the Long Walk shopping arcade downtown. In the days following the bombing, people tacked protest notes onto the store door and stood in vigil outside its entrance.

The McKevitts complained that they were being harassed by neighbors and that they feared for the safety of their three children. They have not been spotted here for the last three weeks and the store is shuttered, with piles of opened letters scattered on the floor inside.

Dundalk became involved in the conflict across the border when thousands of Catholics fled here from Belfast in the 1970s to escape Protestant firebombings and shootings. "We were strongly sympathetic, they came down in trainloads and we literally opened our homes to them," recalled Mr. Mulligan.

Many of the refugees settled in the Mairbhena Mor housing project, which is still known as Little Belfast.

"But then later the IRA started to use Dundalk as a base and they spread the violence to the south and over the past 15 years turned to gangsterism and racketeering," Mr. Mulligan complained.

Eamon Collins, a former IRA gunman and author of "Killing Rage," a book detailing his disillusionment with the clandestine organization, said that Dundalk was central to the campaign of violence in the North.

"It was a route for moving a lot of weaponry and it was where lots of people could rest up when they were on the run," he said in a phone interview.

The mourners for the dead of Omagh who marched in protest through the streets of Dundalk filled three condolence books in the lobby of the columned 19th-century town hall building.

Many of the messages spoke to the special sense of sorrow and responsibility felt here.

"I am ashamed to be living in Dundalk," wrote James Miller. "I do not want a 32-county Ireland. I want a peaceful one for my children to grow up in."

Editor's Note

An article in The New York Times on May 13, and published in the International Herald Tribune on May 15, about Marco Pierre White, a British chef and restaurateur, described his climb to success. It said that in the past he had "a well-publicized bout with drugs and alcohol."

The statement was based largely on an ambiguous passage in Mr. White's autobiographical cookbook, "White Heat." But no such allegation has been "well publicized," and in fairness Mr. White should have been asked to comment on the statement.

He has since said that there is no truth in the statement.

In the absence of any confirmation, the statement should not have appeared.

TRAVEL UPDATE

Paris Opens Doors to Public

PARIS (AFP) — Some 12,000 public sites representing the architectural and cultural legacy of France will be open to the public free of charge Saturday and Sunday as part of a yearly event.

During the "Journées du Patrimoine," which attracted 10 million visitors last year, the presidential palace — along with other official buildings, castles and artisan workshops — will be open to the public.

A full list of the sites is available on the Internet, at www.culture.fr.

Volcanic activity intensified at Mount Etna early Tuesday as a 100-meter (300-foot) plume of black ash and lava spewed from its crater. Gas emissions and strong tremors accompanied the lava spurts from the volcano crater, 3,200 meters above sea level near the town of Catania. (AFP)

The first high-speed rail line in the former East Germany was opened Tuesday between Berlin and Hannover, cutting travel time by nearly half to one hour and 47 minutes. Regular service will start Sept. 27. German Chancellor Helmut Kohl said the line would be part of a future high-speed rail network linking London and Moscow via Paris and Berlin. (AFP)

Cathay Pacific Airways Ltd. plans to cut service to Indonesia to 19 weekly flights from 24 weekly flights in its winter schedule, effective Oct. 25. The Hong Kong-based carrier said it would also increase the number of flights to North America, Europe and Australia. (Reuters)

Air Canada will resume its services out of Asia Thursday, following a 13-day strike by its pilots, the carrier said Tuesday. On Wednesday the airline will resume service out of Hong Kong and Osaka, and on Thursday it will resume flights out of Seoul. (Reuters)

WEATHER

Forecast for Thursday through Saturday, as provided by AccuWeather.

Europe

City	High	Low	Wind
London	54	44	W
Paris	54	44	W
Berlin	54	44	W
Rome	54	44	W
Madrid	54	44	W
Amsterdam	54	44	W
Brussels	54	44	W
Frankfurt	54	44	W
Hamburg	54	44	W
Munich	54	44	W
Vienna	54	44	W
Zurich	54	44	W
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THE AMERICAS

Stop 'Hairsplitting,' Democrats Say

Daschle and Gephardt Call for 'Straight Talk' on Clinton Problems

By Dan Balz and Peter Baker
Washington Post Service

WASHINGTON — The Senate minority leader, Tom Daschle, and Dick Gephardt, the House minority leader, have criticized the White House legal defense strategy, calling on President Bill Clinton and his advisers to abandon what Mr. Daschle called "hairsplitting" about his testimony denying a sexual relationship with Monica Lewinsky.

The blunt message Monday from the top two Democrats in Congress added considerable weight to a message that other lawmakers of both parties have been sending the White House since the release Friday of the report from the independent counsel, Kenneth Starr.

Mr. Gephardt, Democrat of Missouri, and Mr. Daschle, Democrat of South Dakota, were reacting to what one Democrat called a "disastrous" performance by the president's legal advisers over the weekend. In a series of appearances on talk shows, Mr. Clinton's lawyers attacked Mr. Starr's report and asserted that Mr. Clinton's sworn denials of a sexual relationship with Ms. Lewinsky, while misleading, did not constitute perjury.

Mr. Daschle, who appeared with the president at a party fund-raiser in New York on Monday night shortly before his statement was released, said he agreed with people

"who have grown impatient with hairsplitting over legal technicalities."

He added, "The president and his advisers must accept that continued legal jousting serves no constructive purpose. It simply stands in the way of what we need to do: move forward and let common sense guide us in doing what is best for the country."

Mr. Gephardt's statement made a similar point: "The considered judgment of the American people is not going to rise or fall on the fine distinctions of a legal argument but on straight talk and the truth. It is time for the president and Congress to follow that common sense for the good of the country."

Both Democrats said Congress should move as quickly as possible to determine what, if any punishment, Mr. Clinton should receive. Mr. Daschle said Congress should return after the November elections, if necessary, to resolve the matter.

The second-guessing over the appearances by David Kendall, the president's personal lawyer; the White House counsel Charles Ruff, and other members of the White House legal team was also going on inside the White House. There, officials sought to shift attention away from Mr. Clinton's contention that he was "legally accurate" if misleading in his Jan. 17 deposition in the Paula Jones case and back to the president's admissions of wrongdoing.

"We're not in an attack mode," said one White House adviser. "We're in a forgiveness mode."

But another senior official expressed exasperation with critics of the White House strategy. "What they want us to do is help make it go away, but I'm not sure the course they're recommending is going to make it go away as quickly as they like."

Those comments reflected the dilemma Mr. Clinton now faces. As long as he is in legal jeopardy, either from Congress or the independent counsel, his lawyers will resist any acknowledgment that he lied under oath. But that very defense may hinder efforts to find a compromise short of impeachment, particularly before the November midterm elections.

White House officials are particularly worried about further erosion in Mr. Clinton's political standing, particularly with lawmakers in tough campaigns this fall. Several Democrats said the list includes Senators Pat Murray of Washington, Ernest Hollings of South Carolina, Harry Reid of Nevada and Barbara Boxer of California.

The plight of these politicians highlights the Democratic Party's awkward bind. With less than two months before Election Day, Democrats are being warned not to embrace the Clinton defense offered up by his lawyers, but they also understand that they could hurt themselves and the

party by abandoning the president.

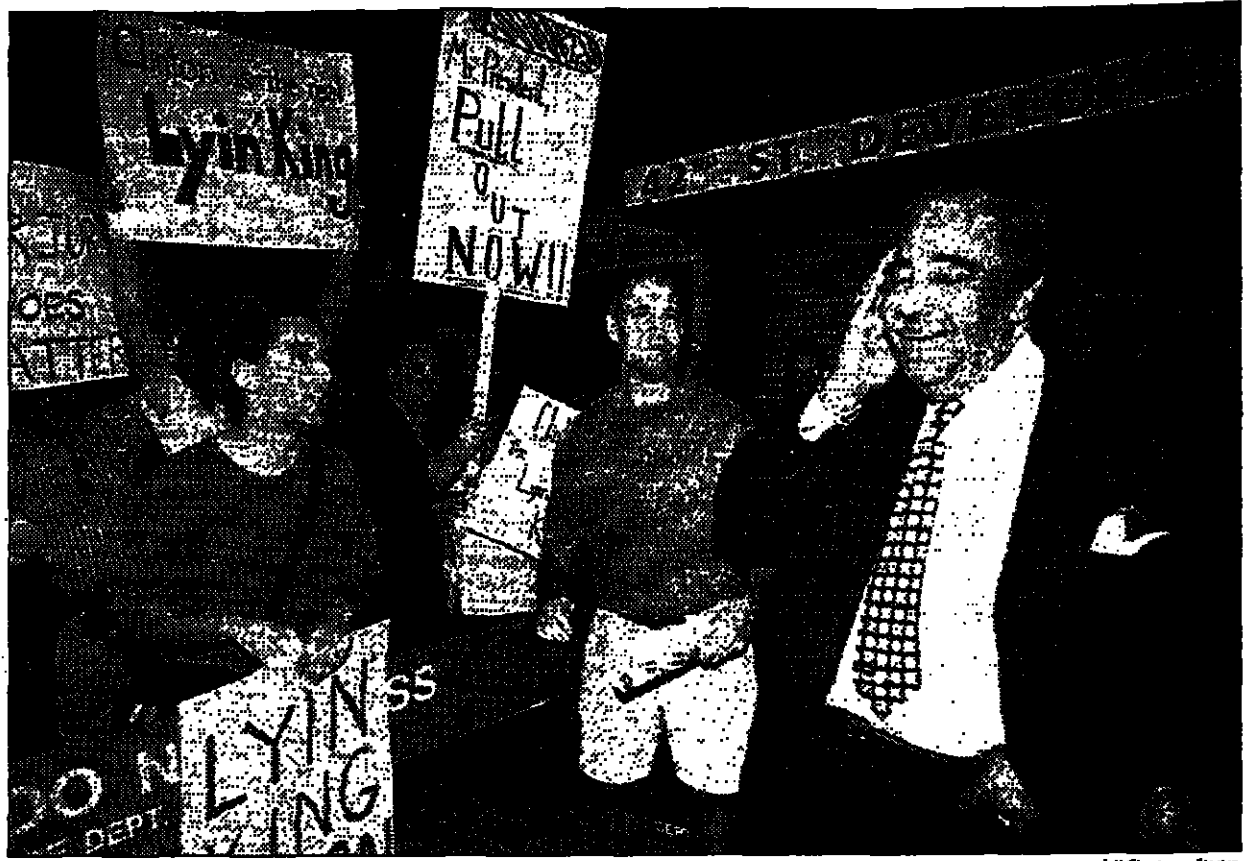
On a day in which he helped raise \$4 million for the party, Mr. Clinton sought to reassure Democrats: "Go talk big, go tell people not to be complacent," he told 400 supporters at a fund-raising dinner in New York last night. "Tell them not to worry about the adversity — adversity makes people come out and show up — witness your presence here tonight."

Meanwhile, Representative Henry Hyde, Republican of Illinois and the Judiciary Committee chairman, predicted that as part of any impeachment inquiry the committee might probe other allegations that Mr. Starr has been investigating, including Whitewater and the improper acquisition by the White House of FBI files on hundreds of Republicans.

"It appears there could be more to come, and we would consider ourselves duty-bound to consider whatever he sends us," Mr. Hyde said, adding that the panel could investigate these allegations of wrongdoing on its own as well.

But Representative Barney Frank, Democrat of Massachusetts, a committee member, called that approach "judicious," adding, "These are the Clinton-haters who have the sense that there's not enough here."

A vote on that question, however, will not come before the Judiciary Committee concludes a preliminary re-



Representative Charles Rangle, Democrat of New York, reacting to protesters' calls outside a Broadway show, "The Lion King," where Bill Clinton was in attendance. Signs call the president the "lyin' king."

view of the still-secret materials sent to Congress last week with Mr. Starr's report.

Mr. Hyde also served notice to the White House and other allies of the president that he would not tolerate efforts to undermine members of the committee by circulating damaging or derogatory material about their personal lives.

Efforts to intimidate members of Congress or interfere with the discharge of their official duties in relation to the impeachment matter could constitute a violation of federal criminal law," Mr. Hyde said in a letter to committee members.

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POLITICAL NOTES

Media Puzzled as Public Isn't Enraged by Scandal

WASHINGTON — For months now, many media commentators have been saying, in private and on television chat shows, that the public would come to share their outrage about President Bill Clinton soon enough. Once ordinary citizens learned the seamy details of Mr. Clinton's conduct, once the independent counsel's findings became public, the president's poll ratings would surely plummet.

Yet almost a week after the release of Kenneth Starr's sexually explicit report, there has been no such public explosion. Sizable majorities still tell pollsters they approve of the president's job performance and oppose impeachment or resignation.

The contrast with the media's collective sense of betrayal has never been starker. USA Today has joined other major newspapers in urging Mr. Clinton to resign over the Monica Lewinsky matter. USA Today's defection is a particular setback for the White House, which has long regarded the Gannett paper as more of a bellwether and less scandal-obsessed than its national rivals.

The weekend talk shows were filled with indignant questions and harsh commentary, as were the newsmagazines that came out this week.

This leaves many journalists, who gauge public opinion for a living, puzzled that so many people can give Mr. Clinton such low marks for honesty and integrity and yet approve of his performance as president.

"The greatest surprise in this whole story is the ongoing gap between the elites — who now almost uniformly despise Clinton — and the people, who have stuck with him so far," writes the columnist Jonathan Alter in Newsweek.

The relentless, full-speed-ahead coverage has also produced a backlash against the media. Indeed, some readers and viewers have suggested that perhaps journalists' sex lives

should be scrutinized with equal fervor. A Texas columnist, Molly Ivins, writing in Time, scolded the press: "You shoved his sex life in our faces last January, and rubbed our noses in it for eight months more, so by now we're more disgusted with you than with Bill Clinton." (WP)

Clinton Enlists Preachers

NEW YORK — President Clinton has chosen two or perhaps three ministers to serve as a team of personal spiritual advisers that will meet and pray with him weekly and help him resist what one of the ministers calls "the temptations that have conquered" the president in the past.

Mr. Clinton phoned the ministers and asked them for their help late Sept. 7, as he and the nation were preparing for the report that Mr. Starr delivered to Congress two days later concerning the president's relationship with Monica Lewinsky.

The ministers, the White House has confirmed, include two formidable evangelical preachers: the Reverend Tony Campolo, an outspoken liberal Baptist from Pennsylvania known for his ministry to urban youth and for books advocating Christian acceptance of homosexuality, and the Reverend Gordon MacDonald, senior pastor of a Massachusetts nondenominational Christian church.

Since admitting a month ago that he had had an inappropriate relationship with Ms. Lewinsky, the president has been struggling to persuade the American people that he seriously regrets it and is taking steps to repent and reform.


Both Mr. Campolo and Mr. MacDonald were defensive about the possible appearance that Mr. Clinton had selected them as part of political damage control.

"We would rather be men of faith who believe that God is working in the life of the president," Mr. Campolo said, "than to join that army of cynics, many of whom are religious leaders, who cannot accept a plea for forgiveness at face value." (NYT)

Farm Aid a Step Closer

The Associated Press

WASHINGTON — The House indicated Tuesday its willingness to help farmers weather an economic crunch, voting to exempt farm aid from federal spending limits. While the Senate rejected a \$7 billion aid package Monday, Republicans say they are working on a cheaper plan.


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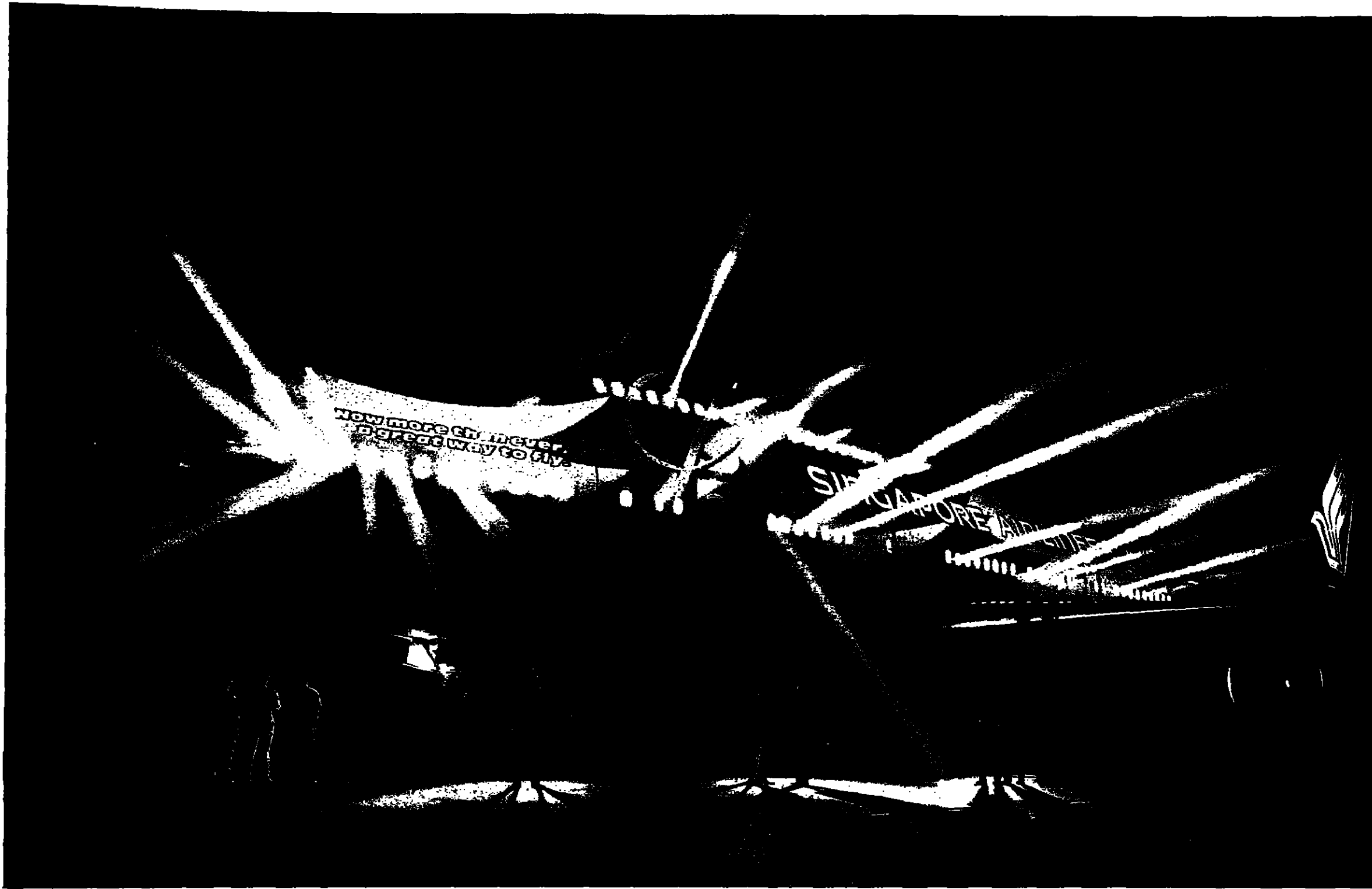
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EUROPE

Gorbachev's Economists Back at Helm in Russia

By Celestine Bohlen
New York Times Service

MOSCOW — Summoned back from a decade of obscurity, a group of Gorbachev-era economists stood outside the headquarters building of the Russian government on Tuesday, waiting their turn to give advice on how to rescue a floundering economy.

Ten years ago, these men were the talking heads of *perestroika*, the name given to reforms launched by President Mikhail Gorbachev — which in due course, led to the collapse of communism and the end of the Soviet Union.

On Monday, they joined the alumni of Mr. Gorbachev's varsity squad who find themselves back at the center of Russia's economic policy debate.

Russia's new prime minister, a top economic aide and the new head of the central bank all served under Mr. Gorbachev.

That the Russian government sought the help on Monday of so many Gorbachev economists was a sign of the dearth of new ideas to save Russia's economy.

It was also a telling symbol of how last week's political showdown has humbled President Boris Yeltsin.

Paradoxically, Mr. Yeltsin won the affections of Russian voters in 1991 by attacking Mr. Gorbachev's feeble efforts at economic reform and, by extension, the economists behind *perestroika*.

This time, it is Mr. Yeltsin's team of young liberal economists who are under attack for having shortchanged the Rus-

sian people by clinging to free-market theories that have yet to take root here.

Looking reinvigorated, if a bit ruffled, in the bright autumn sunshine, the reassembled team measured their words carefully as they waited for an escort to take them into a meeting with Prime Minister Yevgeni Primakov's top deputy for economic affairs, Yuri Maslyukov, a Communist.

Among them were three top advisers to Mr. Gorbachev — Leonid Abalkin, Nikolai Petrakov and Oleg Bogomolov.

Their glee at having survived to see their services back in demand was evident.

"Now there is hope for a more realistic policy," said Mr. Bogomolov, director of the Institute for Internal Economic and Political Studies.

"Now it is not just one side that can express their ideas, like our liberal radical economists. We are all in favor of reforms, but not reforms for their own sake, but reforms which serve people."

Mr. Primakov's government has yet to fix a clear economic policy to pull Russia out of its crisis, but his choice of advisers has sent strong signals that his approach will be a throwback to another era, when economists tried to introduce some free market ideas within a Soviet system.

To Mr. Primakov's predecessors, who favored free markets and tight fiscal discipline, the return of the Soviet cast of characters is eerie, even alarming.

Not only is Mr. Maslyukov a member



Prime Minister Yevgeni Primakov, left, meeting on Tuesday with his deputy, Yuri Maslyukov, next to him, and union members. The Kremlin leader vowed to pay long overdue salaries to miners and other workers.

of the Communist Party but he also once was also director of Gosplan, the giant bureaucracy that was the epicenter of the Soviet command economy and the headquarters of its detailed five-year plans.

At a thinly attended rally in Moscow on Sunday, former Prime Minister Yegor Gaidar issued dark warnings about the return of the Communists to power and the impending collapse of Russia's fragile market economy.

"The main task today is to unite democratic forces to prevent the downfall of Russia," said former Deputy Prime Minister Boris Nemtsov, another young liberal reformer, speaking on television Sunday night.

But there is also a more benign view of the return of a breed of Soviet economists that many had assumed had become extinct. "I swear, I didn't even know he was still around," said one economic researcher after reading a

public appeal issued last week by Mr. Abalkin, who is still director of the Institute of Economics.

In his public comments, Mr. Primakov has indicated that his government will put its emphasis on meeting the needs of the Russian population and industry without explaining where the money for this will come from.

But it is a message with appeal reaching beyond the political debate, deep into a poor and exhausted society.

"We must not carry out reforms that have a bad effect on the people," Mr. Primakov said Monday at a government meeting. "If therapy drags on for decades and there is no light at the end of the tunnel, of course, this is not in the interest of the nation."

The Gorbachev-era economists — most of them directors of academic institutes — have adapted to Russia's changing reality, and their views, too, have changed.

Opposition Defies Ban, But Albania Is Calm

The Associated Press

TIRANA, Albania — Albanian opposition protesters defied a ban and held a peaceful rally Tuesday, while the government ordered armed opponents to turn in their weapons in an effort to avert fresh violence after two days of riots.

In a televised address, Prime Minister Fatos Nano said that the government's patience was running out and that it would not wait "endlessly" for all weapons to be removed from the headquarters of former President Sali Berisha. "There is no time," he said.

Mr. Nano guaranteed the safety of Mr. Berisha and his followers. He also said he was willing to consider "in principle" any formula for resolving the crisis. The opposition has demanded that Mr. Nano resign.

Monday's protest — prompted by the assassination of Azem Hajdari, a fellow lawmaker and ally of Mr. Berisha's who helped bring down Albania's Communist government — touched off a day of unrest reminiscent of the anarchy that lasted for months in 1997.

Riots swept Albania last year after the collapse of pyramid investment schemes that cost many people their life's savings, sending refugees into Italy, Greece and other countries.

Police said at least three opposition supporters had been killed and 14 wounded when government forces attacked and regained control of seized key facilities: Parliament, the state television and radio building and the prime minister's office.

The Interior Ministry on Tuesday banned demonstrations by Mr. Berisha's Democratic Party. Despite the ban, about 3,000 people rallied in the main square of Tirana.

Many protesters flashed the two-fingered victory sign as Mr. Berisha coupled demands for the prime minister's resignation with exhortations to the demonstrators to remain peaceful.

Dozens of police cars, lights flashing and sirens howling, surrounded the protesters on Skanderbeg Square. Officers carrying submachine guns and wearing stocking masks filled the cars and several police vans.

Mr. Berisha remained defiant. The 53-year-old heart surgeon warned Interior Minister Perikli Teta to rescind a shoot-without-warning order or "bear all responsibility for the consequences." He called for another rally Wednesday unless Mr. Nano resigned.

In southern Albania, police reported shooting between gunmen and border guards at the Kakavia crossing to Greece during the night. They said the attackers wounded three people.

U.S. and European diplomats were trying to negotiate a solution. Many fear the unrest could spread, further complicating the situation in the neighboring Serbian province of Kosovo, where ethnic Albanian rebels are fighting for independence.

The governor of Kosovo, Veljko Odalovic, warned that the stability of the southern Balkans was at stake. "Any clashes in our immediate neighborhood are a reason for our grave concern, especially if it is Albania and if a legally elected government is threatened in such a way," he said.

BRIEFLY

Floods Kill Belgian

BRUSSELS — Floods in Belgium claimed their first victim Tuesday when a woman drowned in her car. Rivers rose to critical levels forcing the evacuation of hundreds of people.

In northern Belgium, a woman died when her car skidded into a ditch. Around the eastern city of Liege, reservoirs in the Ardennes hills released excess waters, swelling rivers below. Several villages were flooded. (AP)

Carlos Ally Sought

BONN — Germany formally requested on Tuesday the extradition from France of Hans-Joachim Klein, a former ally of Ilich Ramirez Sanchez, the international terrorist, known as Carlos the Jackal, for his part in the 1975 kidnapping of OPEC ministers in Vienna.

Mr. Klein, 50, was detained last week near a village in Normandy, in northern France, where he had been living under an assumed name for years. German prosecutors had said they would seek Mr. Klein on charges of murder and kidnapping. Austria has also said it will request his extradition. (Reuters)

For the Record

The French interior minister, Jean-Pierre Chevènement, 59, five days after emerging from a coma, was getting better but was still unable to talk, French television reported. (AP)

President Vaclav Havel of the Czech Republic, 61, on the mend after months of life-threatening medical problems, began a five-day trip to the United States on Tuesday. (AP)

Viagra Now Legal in EU, but With Some Controls

By Barry James
International Herald Tribune

BRUSSELS — The European Commission decided Tuesday to authorize the sale throughout the European Union of the oral drug Viagra to help men achieve erections.

The measure posed a problem for several countries that fear their government health programs could be overwhelmed by demand for Viagra.

In Britain, the health secretary, Frank Dobson, ordered doctors not to prescribe the drug free under the National Health Service.

There is insufficient money, he said. "Therefore," he added, "we have to take the money away from maternity services for women having babies, or people who are being treated for cancer, or people who are being treated for heart disease."

The health ministries in Germany and Portugal also said that public health services would not pay for Viagra, which is widely viewed as a "quality of life" medicine.

Joseph Feezko, medical director of Pfizer Pharmaceutical, the manufacturer of the drug, said the company was "not happy" with Viagra's reputation as an aphrodisiac, which has led to runaway sales in the United States.

He said that the "utilitarian chatter" about Viagra slowed down the regulatory process in several countries.

Nor, he said, was Pfizer happy about the ease with which Viagra can be obtained over the Internet.

"Erectile dysfunction is a medical condition as much as arthritis," he said.

Although it is not life threatening, the problem, he said, has caused incalculable misery to "people who

have suffered and are suffering."

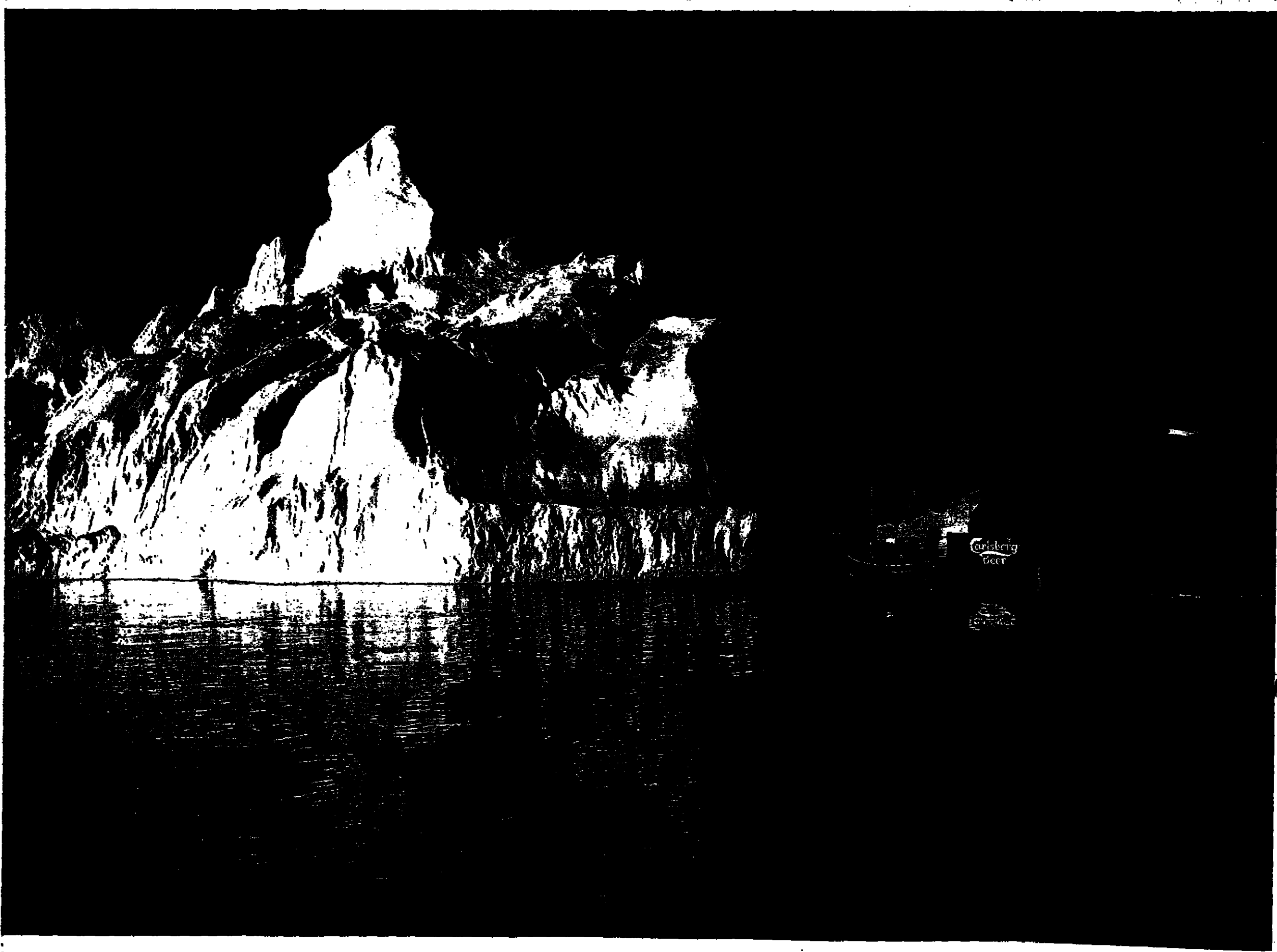
The decision by the commission meant that, "in principle, the company concerned has, from tomorrow, the right to circulate the product in all member states," said Jochen Kubosch, the commission's spokesman on health matters.

Even though public health systems may refuse to dispense the drug, patients in all EU countries can obtain it legally by presenting a private prescription.

The commission, the EU's executive body, imposed some conditions.

• Viagra may not be prescribed to women or to males under 18.

• Prescriptions must be accompanied by a leaflet warning that Viagra should not be used by men suffering from heart or liver conditions or who are taking medicines containing nitrates.



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PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Fast Track on Clinton

Kenneth Starr's report has arrived in Capitol Hill with only a few weeks to go before members of Congress were expecting to go home to campaign. The temptation to deal with the impeachment question on the slow track until the next Congress will be keen. Nobody knows exactly how voters are likely to respond to serious congressional action.

It is, however, unthinkable that Congress would adjourn while the Lewinsky matter remains unresolved. As long as there is a question of impeaching the president, the House Judiciary Committee must keep working on it irrespective of the time of year or the possible impact on any election.

The first reason is fairness to President Bill Clinton. If the House ultimately decides not to impeach him, it should not hold endless deliberations that prevent him from ever recovering any of his ability to lead the country. Respect for the responsibilities of the presidency requires that Congress not

encumber Mr. Clinton in the exercise of his duties longer than necessary.

The second reason — mirror image of the first — is that if Mr. Clinton is found to be unfit for office, Congress should not let him occupy the White House one day longer than it must. Impeachment, after all, is a device designed to protect our system from abusive officers. The duty to impeach and remove them is sufficiently grave that Congress cannot put it on hold until it is electorally convenient to act.

It now seems quite clear that Mr. Starr's evidence requires an impeachment inquiry. Congress should move swiftly to open this inquiry, and the Judiciary Committee chairman, Henry Hyde, should keep it open straight through the election and the lame-duck period following it. If need be, the full House should be recalled to vote. Politicians have accused Mr. Starr of taking too long to investigate. Congress should deal with these accusations promptly.

— THE WASHINGTON POST

Wallace's Legacy

As Washington debates the possibilities and limits of redemption in political life, the career of former Governor George Wallace of Alabama is instructive. George Corley Wallace, who died Sunday at the age of 79, devoted the latter part of his life to revising his own biography. The politician who vowed, at his first inauguration, "segregation now, segregation tomorrow, segregation forever" — and won over — many black voters in his home state. He won, too, a measure of respect from some former enemies.

Yet Mr. Wallace will rightly be remembered, first and foremost, as the snarling bantamweight who blocked the doorway of the University of Alabama in Tuscaloosa on June 11, 1963, to bar the school's first two black students from entering. That defiant stance led President John F. Kennedy to federalize the Alabama National Guard: the two students were duly admitted. But Mr. Wallace's resistance to integration, and to the law and order he professed to reverse, did not stop there. Two years later it was his state troopers, along with local lawmen, who clubbed and gassed unarmed civil rights workers crossing the Edmund Pettus Bridge in Selma.

There was always an element of cal-

culation in Mr. Wallace's segregationist rabble-rousing, an insincerity that made his stand no less — in some ways more — repugnant. He had vowed, after losing his first gubernatorial election as a relative moderate, never again to be less rabid on race than his opponent. Even in the 1960s, many detected more politics than principle in his opposition to rights for African Americans. But his hateful words contributed to the murders of black and white civil rights workers. He was a "merchant of racism," Martin Luther King Jr. said. When a bomb exploded in a Birmingham church, the Reverend King told the governor that "the blood of four little children . . . is on your hands."

Much later — after four terms as governor, after his runs for the presidency, after a gunman had put him in a wheelchair — Mr. Wallace tried to disavow his call for eternal segregation. "I didn't write those words," he told the columnist Carl Rowan in 1991. "I saw them in the speech written for me and planned to skip over them. But the wind-chill factor was five below zero when I gave that speech. I started reading just to get it over and read those words without thinking. I have regretted it all my life."

— THE WASHINGTON POST

Cambodian Whirlpool

There was hope that a July 26 election would put Cambodia back on a track toward democracy and stability. So far it has not worked out that way. The election produced much resentment but no clear winner. In recent days, grenade attacks, shootings and violent police actions have increased tension in that impoverished Southeast Asian nation.

Cambodia's troubles go back a long way, but the current round began in July 1997. That is when the second prime minister, Hun Sen, the country's strongman ruler for more than a decade, chased the first prime minister, Prince Norodom Ranariddh, from power. The palace coup was followed by 100 or more political killings.

In the July 26 election a year later, most Cambodians turned out to choose among Hun Sen's party, Prince Ranariddh's party and that of the opposition leader Sam Rainsy. Most observers describe election day as peaceful and well-organized. But opposition parties complained that Mr. Hun Sen's pre-election intimidation tactics and his

party's postelection vote manipulations precluded a fair result. Charges of vote fraud have been neither proven by the opposition nor given a fair hearing by the government, leading to a bitter standoff. The ruling party's fiddling with rules to give itself a majority of parliamentary seats after winning only a plurality of votes did not help.

Now government police have cracked down with unnecessary and unwise brutality on peaceful demonstrators from opposition parties. The opposition, for its part, has engaged in (anti-Vietnamese) race-baiting that also has inspired violence. Countries around Cambodia, at one time committed to helping shape a democratic outcome, are distracted by their own grim troubles.

But Cambodia's woes can only drag the region down farther. All sides inside Cambodia should be made to understand that only a peaceful resolution can regain for the nation its United Nations seat, its international aid and its standing in the world.

— THE WASHINGTON POST

Home Runs Aplenty

During the recent series between the Cubs and the Mets, Mark McGwire suggested to Sammy Sosa how nice it would be if the two of them could both beat Roger Maris's record, and maybe end the season tied with the same number of home runs. That seemed unlikely at the time, with Sosa stuck at 58 home runs and McGwire on a tear. But beginning last Friday night, the hero of San Pedro de Macoris, in the Dominican Republic, pumped four home runs to draw even with McGwire at 62.

This McGwire-Sosa business is amazing, and fun. In the space of one week, two players have broken Maris's 37-year-old record of 61 home runs, and the season has almost two more

weeks to run. Nobody knows how this is going to turn out, but given Sosa's history as a streak hitter, it is entirely possible that he could wind up in the second paragraph of the best sports story in years.

Sosa is a hard-working player who has brought to baseball a sense of joy that seems rare among today's professional athletes. His season has been every bit as important to baseball as McGwire's, drawing thousands of extra fans to the ball park.

We thought it was over, but what was once a home run chase is now a home run race.

— THE NEW YORK TIMES

Crafty Saddam Hasn't Given Up on Nuclear Arms

By Khidir Hamza

WASHINGTON — In the early 1970s, Saddam Hussein, then Iraq's vice president and vice chairman of the ruling Revolutionary Council, ordered the development of a clandestine nuclear weapons program. I was one of those who initiated the program.

The plan's long-range objective was to produce nuclear weapons, but the immediate objective was to acquire nuclear technology. To achieve that goal, the manipulation of the International Atomic Energy Agency, the IAEA, was fundamental. The elaborate plan of deception they gradually evolved included the signing of nuclear cooperation treaties with friendly states and the invention of bogus projects.

Iraq had impeccable credentials for receiving nuclear assistance. Iraq had signed the Nuclear Nonproliferation Treaty in 1968 and ratified it in 1969. That made our nuclear-power cover stories internationally acceptable and justified our major nuclear purchases with the full backing of the IAEA.

Over the years, I had many roles. I was chief of the fuel division in the 1970s, head of the theoretical division of the enrichment program in the 1980s, scientific adviser to the chairman of the Iraqi Atomic Energy Commission, the IAEA, in the mid-1980s, and, for a brief period in 1987, director of weaponization.

Acquiring nuclear technology within the IAEA safeguards system was the first step in establishing the infrastructure necessary to develop nuclear weapons.

In 1973, we decided to acquire a 40-megawatt research reactor, a fuel-manufacturing plant and nuclear fuel-reprocessing facilities, all under cover of acquiring the expertise needed to eventually build and operate nuclear power plants and produce and recycle nuclear fuel. Our hidden agenda was to develop clandestinely the expertise and infrastructure needed to produce weapons-grade plutonium.

As it turned out, few of Iraq's suppliers — or the IAEA itself — ever bothered to ask a simple question: Why would Iraq, with the second-largest oil reserves in the world, want to generate electricity by burning uranium? For its part, Iraq was careful to avoid raising IAEA suspicions; an elaborate strategy was gradually developed to deceive and manipulate the agency.

To get better access to the inner workings of the IAEA, the position of "scientific attaché" was created at the embassy in Vienna. Suroor Mahmoud Mirza, a brother of Mr. Saddam's senior bodyguard, was appointed to this position. Mr. Mahmoud provided de-

tailed reports on many subjects not covered in open publications, including the role of inspectors in uncovering clandestine programs, how information given to inspectors was controlled, and how limited their leverage was. He also realized the importance of having Iraqis work as inspectors to gain a more complete understanding of inspection procedures and processes. Most important of all, he alerted us to the success of satellite remote sensing in uncovering clandestine, and especially underground, activities. As a result, Iraq built no underground facilities.

Ironically, the understanding that gradually emerged from a closer relationship to the IAEA was how weak and easily manipulated the agency was. With little leverage on member states, inspectors were in a difficult position. If an inspector wrote about a suspicious activity in the state he visited, and if it leaked out (which was often the case), the inspector could be denied future access to that state.

Further, according to Abdul Wahid Saji, the first Iraqi to serve as an IAEA inspector, if an inspector gained a reputation as antagonistic or aggressive, few states would allow him to inspect their facilities.

Overall, the IAEA proved extremely useful to the Iraqi weapons program in obtaining nuclear technology. The agency accepted Iraq's importation of

highly enriched uranium fuel for its research reactor, without evaluating the possibility that Iraq might divert it to military use.

The new safeguards system that has grown out of the updated program set up in 1993 to overcome past failings, is capable of detecting future Iraqis. But if the old IAEA safeguards culture prevails, the new system will not be a match for a determined Saddam Hussein or other proliferators.

After two disastrous wars and the large-scale massacre of Kurds and Shiites, the criminal nature of the Iraqi regime is internationally recognized.

What is not recognized by the world community, though, is the determination with which the regime of Saddam Hussein intends to pursue programs to produce weapons of mass destruction, including nuclear weapons, once sanctions are lifted.

The nuclear weapons group is still in place; the expertise is still there; and Saddam Hussein and his colleagues are well-practiced in the arts of deception.

The writer was a top scientist at the Iraqi Atomic Energy Commission before he defected to the United States. He contributed this comment, which appeared first in the *Bulletin of Atomic Scientists*, to *Global Viewpoints* (Los Angeles Times Syndicate).

When Credibility Is Gone, Think of Going, Too

By David S. Broder

WASHINGTON — President Bill Clinton has disgraced himself. He has demeaned the high office to which he was twice elected. And he has left Congress and his fellow citizens with a dilemma for which the Constitution provides no clear, trouble-free remedy.

He has apologized for his actions, perhaps as much as he needs to, and his followers have sought to shift the criticism onto the independent counsel, Kenneth Starr, whose report to Congress was every bit as abhorrent as the conduct it describes.

Like many others, when I read the Starr report I could not believe the endless, repetitious, salacious detail was necessary to disprove the president's denial of sexual relations with Monica Lewinsky.

But after watching David Kendall, Mr. Clinton's attorney, on television Sunday morning, smugly and condescendingly twisting words and denying reality, I can understand what drove Mr. Starr to dump every bit of trash he had collected onto the president's head.

As Merle Black, the Emory University political scientist, told me: "The more Kendall

speaks on behalf of Clinton, the worse it is for him. It undermines the whole idea of respect for the law."

That is why serious Democrats with the interests of both the president and the country at heart are pleading with the White House to abandon this legal petting-fog. Leon Panetta, Mr. Clinton's former chief of staff, told me that Mr. Kendall and others "have to stop the legal quibbling whether he lied about the sexual relationship. It's clear he misled the country. He needs to cooperate with Congress, not engage in the same tactics he has for the last seven months."

But what to do with Mr. Clinton? Mr. Panetta said, "There are no magic answers. You feel like running upstairs and putting your head under the pillow." His own recommendation is that the White House negotiate for a congressional censure resolution.

That idea is growing in popularity, but it presents problems. Censure cannot be found in the Constitution. When applied to members of Congress, under the rules of the House and Senate, it has had a checkered history. Senator Joseph McCarthy's power was broken by a censure resolution. But several members of the House have been censured to no political effect. And no one knows the real impact of a congressional censure on the chief executive.

The move for censure has a checkered history.

It could dangerously demean him in the eyes of the world or it could leave him feeling free to lie again when convenient.

The constitutional remedy for serious abuse of office is the impeachment process. Many wise and experienced leaders of both parties I talked to say they cannot envisage Mr. Clinton being removed from office by this route for the wrongdoing alleged by Mr. Starr.

But it is highly unlikely that the House will go home for the

modern election without authorizing a preliminary inquiry by the Judiciary Committee into possible impeachment. Republicans almost have to vote that way to satisfy their constituents and most Democrats cannot afford to appear obstructionist.

Once such a proceeding starts, the lawyers who predominate on that committee will have to ask themselves — as a thoughtful Republican member, James Rogan of California, is already doing publicly — what message it sends for the administration of justice if the chief executive charged with "faithful execution of the laws" is allowed to testify under oath to a federal judge and grand jury and not tell the truth.

Impeachment and conviction in a Senate trial would be a lengthy, wrenching process — and well it should be. The president's spokesmen reject talk of resignation, and a former Senate majority leader, Howard Baker, rightly says that two forced presidential resignations in a quarter century could set a dangerous precedent.

But I was struck by what I heard from Joseph Califano, an

ardent Democrat and former cabinet officer. "If impeachment goes forward, that is all that will happen in the next Congress," Mr. Califano said.

"I think Clinton is finished as a serious president, whether he stays in office or not. He's lost his credibility, his moral authority."

Mr. Califano said he had been thinking back to the time, 30 years ago, when Lyndon Johnson told him and another presidential aide, Harry McPherson, that he had decided not to seek re-election, because, as Mr. Califano said, "he could no longer lead on either of the things that were important — Vietnam or civil rights." Any successor — even Richard Nixon or Robert Kennedy — would "have a honeymoon with Congress" and be able to do things he himself no longer could, Johnson said.

Johnson did not resign, because an election was only eight months away. Mr. Clinton still has 28 months to serve.

"I don't know if Clinton even thinks that way," Mr. Califano said.

Let us pray that he does.

The Washington Post

Don't Confuse Outrage With Misdemeanors

By Anthony Lewis

BOSTON — The Clinton controversy puts two questions to the country.

One is whether we are outraged by the president's personal behavior and public deceptions. The other is whether we believe he should be impeached and removed from office.

They are distinct questions: constitutionally distinct. It is crucial to the future of our political system that we keep them separate. But from various points on the political compass there are efforts to muddy them together.

Kenneth Starr has worked ferociously to obliterate the distinction.

His aim is to destroy Bill Clinton politically and personally. His strategy has been to arouse public opinion against the president and drive him from office. The president's sexual idiosyncrasy, and attempts to conceal it, gave Mr. Starr the opportunity that other allegations had not.

The leaks that poured from Mr. Starr's office were calculated to condition public opinion. Then, when his report was ready, there was the public relations tactic of parading boxes past waiting cameras: guilt by volume.

As to the report itself, any reader could understand without prompting by the president's lawyers that its massive irrelevant sexual detail was designed to degrade the president. What does masturbation have to do with anything? Would responsible prosecutors have pried so incessantly at Monica Lewinsky for sexual detail? Would they have degraded her by forcing her to answer in such detail as the price of immunity from prosecution?

But it was not just the sex. The number of supposed grounds for impeachment listed by Mr. Starr, 11, was designed to make people think there must

be something there. Mr. Starr went so far as to argue that asking the courts to give Secret Service agents a privilege against testifying — which President George Bush and many others thought they should not have to do — was a

constitutional test of "high crimes and misdemeanors" means. But it surely must be more than sexual dalliance and attempts to conceal it.

However Kenneth Starr tries to trick it up as abuse of office, Mr. Clinton's wrongdoing is a long way from a fundamental offense to our system. It is about illicit sex and the usual deceitful aftermath. A British columnist detached from our obsessions, Simon Jenkins of *The Times* of London, wrote:

Resignation would do terrible damage to the presidency

"To seize an initial lie about his sex life to trap him on an escalator of mendacity does not require much ingenuity. The trick is familiar to any tabloid journalist or tort lawyer. . . . What we should care about is the ease with which a president can have the trick played on him. . . . The process is claimed as constitutional, but every well-tooled coup claims that."

Much of the world is bewildered at the spectacle of an American president under attack by a prurient prosecutor. On Irish Radio the other day a Northern Ireland assemblywoman, Brid Rogers, said: "We find it just grotesque that somebody's private life

should be laid bare. None of us could stand that."

But because Mr. Clinton's behavior has been laid bare, people want to express their disappointment in him. And that has led to a blurring of the line between outrage and impeachment.

A number of newspaper editorials have called on Mr. Clinton to resign.

Some people who have supported him in the past have taken the same position, arguing that he can no longer be effective.

Urging resignation is a way to avoid the hard question of impeachment. But for a president to resign because he is politically weak would do terrible damage to the role of the presidency in our constitutional structure. It would move us toward a parliamentary system. It would encourage the forces of demagoguery to attack any president. It would intensify the already corrupting criminalization of our politics.

Those dangers are far worse than living with a damaged president.

Against them we should resolutely set our face.

The New York Times

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Officer in Skirts

NEW YORK — Dr. Anita Newcomb McGee, who has been commissioned an acting assistant surgeon in the United States army, with the rank and pay of a second lieutenant, and who is the first woman who ever received a commission in our army, began her official duties at the Army Building, in Whitehall street. Her first duty was to select thirty women nurses for the army in Porto Rico. She said, "I must wear a second lieutenant's uniform. It will be the same as a regular officer's uniform, except that I shall wear a skirt instead of trousers."

1923: Colored Exodus

JOHNSTOWN, Pa. — As a result of an order requiring all negroes and Mexicans who have not been residents of this city for seven years to leave immediately, 2,000 negroes and

Mexicans have already left and others are preparing to depart. The order was issued by Mayor Cautrell, following riots in the section of the city which they occupy. The exodus has proved a severe blow to the Bethlehem Steel plant, but no protest has not yet been made by the Bethlehem authorities.

1948: Hyderabad Feud

PARIS — Hyderabad, the Indian princely state which has been invaded by Indian regular troops, announced that if the United Nations Security Council fails to accept its complaint against India, Hyderabad will use every possible means to force the UN to consider the question. Hyderabad's Foreign Minister asserted that through issuance of communiques describing the Hyderabad fighting, India had convicted itself before the world of open aggression against the princely state.

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OPINION/LETTERS

For a President in Deep Trouble, Some Prescriptions for Recovery

Following the release of the special prosecutor's report to Congress about President Bill Clinton's relations with Monica Lewinsky, Mr. Clinton's fortunes may be at their lowest point yet, and the nation is openly asking whether he can recover. Here, some people give their views on how he might make a comeback.

Mario Cuomo, Democrat and former governor of New York:

President Clinton should make Senator Joseph Lieberman his point man. In his speech on the Senate floor, Mr. Lieberman, Democrat of Connecticut, criticized the president, but he also gave him a *locus poenitentiae*, a place for repentance under the law. The president should take advantage of that and say to the senator: "You are the de facto leader of the forces of righteous indignation. You have said that you can save my presidency. Show me the way. I will do anything I must to show that I am contrite." When he convinces the senator that he is truly repentant, that will be the end of any punishment but censure.

Second, the president should show how the process is wrong. Kenneth Starr dumped these papers on the jury, the American people, without any attempt to discriminate the good from the bad. It was not fair to ask the people to arrive at a conclusion when they had not heard the other side.

Then the president and his aides should ask the people to consider the implications of an impeachment trial. Imagine what a trial is — a chance to examine and challenge every piece of paper, and examine and cross-examine every witness, including Monica Lewinsky. This could go on for months and months. Imagine that spectacle. If the public won't allow it, the politicians won't either.

Lewinsky. This could go on for months and months. Imagine that spectacle. If the public won't allow it, the politicians won't either.

Lyn Nofziger, a longtime Republican consultant and former aide to President Ronald Reagan:

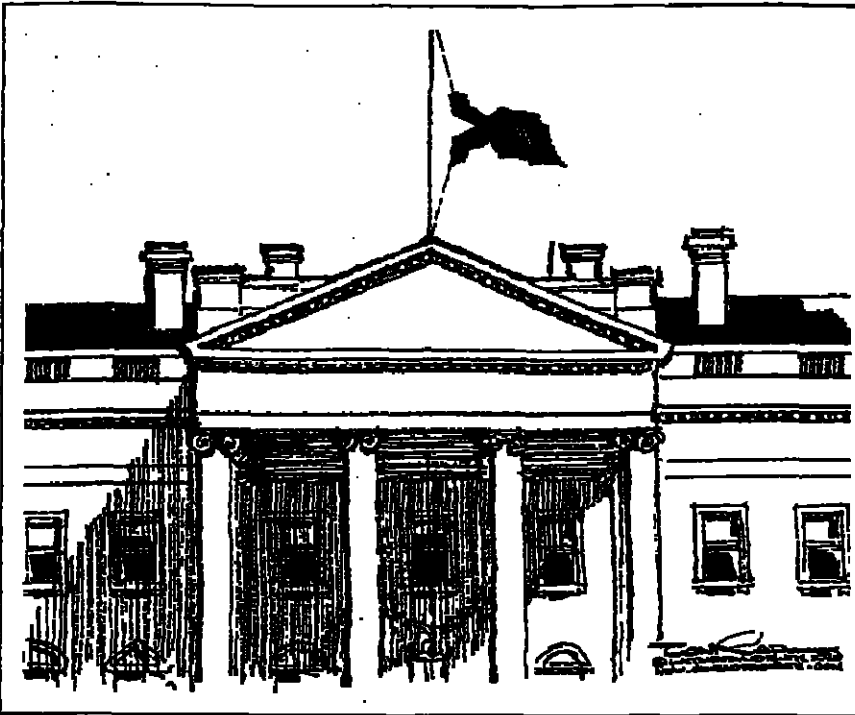
If President Clinton is to retain his presidency, the first thing he must do is quit apologizing — right now. Any more is maudlin and shows a lack of sincerity. Second, he must insist that impeachment proceedings begin immediately, on the assumption that he can ride them out. This show of confidence would reestablish confidence in his followers.

Third, he must try to lift himself and his administration above partisan politics and tend to the nation's business. Let's see if his famed ability to compartmentalize is still functioning.

Last, if he is cleared by the Senate, he must shed his bitterness as well as his sanctimonious airs and ways, and spend the next two years working to be president of all the people. It won't work, but it is worth a try.

Alan Brinkley, a history professor at Columbia University:

President Clinton's recent, overdue acts of contrition may help, but they will not be enough. He needs to convince the public and the Congress that the private behavior described in the Starr report, tawdry and embarrassing as it is, remains fundamentally different from the abuses of official power that have traditionally been the grounds for



impeachment of public officials.

Merely avoiding impeachment will not restore the moral and political authority the president has lost. He needs to remind the public why it voted for him — not for his personal morality, which most Americans have always considered flawed, but for his intelligence, his empathy and his ability to articulate the concerns of ordinary citizens.

William F. Buckley Jr., editor at large of the National Review:

As a mechanical matter, President Clinton needs only to contrive not to be impeached and convicted. To reclaim the presidency in the eyes of the public, he

needs to do not much more than what he has been doing to effect his high public approval. This will require continuing orchestration of the post-apology White House oratorio as well as adroit interventions by his courtiers and loyalists. They will take such advantages as can be taken from ambiguities, whether of witnesses or constitutional advantage or Magna Carta.

But to reclaim the presidency in any comprehensive sense would require a change in Mr. Clinton's character. Can he do that? It's doubtful: his lapse wasn't an aberration, it was a systematic, deliberated violation, during 18 months, of elementary codes of professional and personal honor.

The New York Times.

Back in Customer-Land And Feeling Bewildered

By Richard Pells

AUSTIN, Texas — Anyone abroad who fears that the world is becoming Americanized has not spent much time in America. Returning to the United States after a year in Germany, I feel as if I have entered another galaxy.

Nowhere are the differences more conspicuous than in the elementary details of daily life. It is

staffed by advisers, degree-checkers, and therapists, all there to help undergraduates navigate through a sea of choices. In a European university, hardly anyone thinks that students need assistance, much less a building in which such services are dispensed.

Meanwhile, the newspaper lists 47 movies of every conceivable genre now showing on local screens. Few of these films are likely to be exported, which is why people abroad are unaware of the extraordinary diversity of American film-making and the array of selections available to American audiences.

You need lots of movies to take your mind off the current turmoil on Wall Street. But here, too, the

MEANWHILE

physically easier to live in America, and not just for those with two cars and a house in the suburbs.

I often wondered in Europe how people in wheelchairs coped. No person could have attended many of the universities I saw, or lived in most of the apartments I encountered, if they could not climb several flights of stairs. Able-bodied people thought nothing of hauling groceries to their sixth-floor walk-ups. They are accustomed to living with hardships that only the most destitute Americans tolerate.

If life is less arduous in America, it is more bewildering. Especially when, as a consumer, you are confronted incessantly with choices. Walk into an American supermarket. Its shelves groan with a cornucopia of products: a half dozen types of lettuce, an infinite selection of potato chips and so many brands of cereal that one is paralyzed with indecision.

Or try to decipher which telephone service is best for you. It takes a mathematician to figure out, amid the barrage of advertisements from long-distance telephone companies, the cheapest way to phone someone in the next county. Choosing among the various options offered by the local service is even more baffling. Do I want call blocker, call forwarding, call return, call waiting, caller ID, call notes, or anonymous call rejection, the operator taking my order asks? Europeans, still awaiting the consequences of telephone deregulation, have no idea how complicated competition can be.

In America, everyone is a customer, even university students. In my department, there are 60 historians, each offering two courses a semester, which makes the course catalogue as labyrinthine as a shopping mall. The administration has opened a glistening new "student service" building,

Americans are free to decide, even when they'd rather not.

American investor is faced with a variety of decisions, and befuddled by experts on television brimming with contradictory advice.

In America, no one chooses for you, which is both liberating and terrifying. This is the sort of freedom from which European governments still protect their citizens. There is, however, one determination Americans would prefer not to make.

Strange as it seems to foreigners, the prospect of impeachment is now a subject of serious discussion. Bob Woodward and Carl Bernstein re-emerge on television shows, reminding everyone of Watergate. Peter Rodino, who chaired the House Judiciary Committee that voted articles of impeachment against Richard Nixon, returns to reminisce. It is as if Americans are spellbound in a movie theater, watching a double feature of "All the President's Men" and "Wag the Dog." Reluctantly and helplessly, they are witnessing again the collapse of a presidency.

The writer, a historian at the University of Texas, is the author of "Not Like Us: How Europeans Have Loved, Hated, and Transformed American Culture Since World War II." He contributed this column to the International Herald Tribune.

LETTERS TO THE EDITOR

What Now for Clinton?

The global economy, terrorism, foreign policy, U.S. Social Security reform and many other issues require strong and sensible presidential guidance, with complete concentration.

Maureen Dowd ("Yes, It's Cheesy, but Not Enough to Lose the Presidency," *Opinion*, Sept. 14) may be right in saying that the Starr report is nothing more than a "bodice-ripper" and provides little evidence for impeachment.

However, for the benefit of the country and as a patriot, President Bill Clinton should step down instead of limping through another two years as an embarrassed and powerless leader with no credibility.

MAURICE JOHNSON, Frankfurt.

It all boils down to a consensual sexual matter having no bearing on Mr. Clinton's management of the people's affairs. He is doing a tremendous job of running the country. We Americans are not going to let a gang of moral masochists overthrow the best president we have had in 35 years.

STEVEN WEBSTER, San Raphael, California.

If Mr. Clinton has any honor and is truly ashamed and contrite he will put the nation's best interests above his own. However, that may be too much to expect from an adulterer, liar and draft-dodger.

HAL OZKAPTAN, Heidelberg, Germany.

The United States is a laughingstock, not because two adults entered into a mutually agreed

sexual relationship, and not because the male lied about it like any gentleman would do, but because the Congress published Kenneth Starr's pornography on the Internet for the whole world to read.

KAREN STETTING, LAUGE STETTING, Copenhagen.

In deliberating upon President Clinton's fate we should keep in mind a principle of Roman law: "Summum ius, summa iniuria." Taking justice to extremes results in extreme injustice.

LESLIE CROXFORD, Madrid.

America has been shamed and humiliated before the world by Mr. Clinton's disgusting conduct. A man so self-absorbed — to the exclusion of all else — cannot lead.

He must resign. Failing that, he must be impeached.

BARBARA MESKILL, Hilton Head, South Carolina.

Where is the judiciary to step in and protect a man from having his private affairs spread before the world? Hopefully, Mr. Clinton will survive. Will the Republicans?

JEAN BALL KOSLOFF, Jerusalem.

The president should be eased from office into the care of an understanding psychiatrist.

CARY WELCH, Warner, New Hampshire.

Mr. Clinton should take care of his family and let Al Gore take care of the nation. Americans will be fine if this president steps aside.

WENDY HUNSAKER, Aberdeen, Scotland.

It was 6:22 P.M. GMT, Sept. 11, 1998. (One would have thought it was 1969 and Neil Armstrong was about to set foot on the Moon.) The Starr report was out. One giant, disgusting leap for mankind.

MLADEN ANDRIJEVIC, Beersheba, Israel.

Europeans remember the sacrifices of a strong America in two world wars and are horrified by the current self-destructive behavior. We would have strongly preferred the Stars and Stripes without this particular Starr.

JENS OVERØ, Lyngby, Denmark.

Congress should vote on a motion of censure tomorrow, close the case and get back to work.

JAMES WIMBERLEY, Strasbourg.

BOOKS

THE VOYAGE OF THE NARWHAL

By Andrea Barrett. Illustrated. 309 pages. \$24.95. W.W. Norton & Co.

Reviewed by Michiko Kakutani

WITH "The Voyage of the Narwhal," Andrea Barrett, the winner of the 1996 National Book Award for "Ship Fever and Other Stories" — has given us an old-fashioned 19th-century novel that brings together the two abiding concerns in her work to date: the mysterious allure of science and the equally mysterious bonds of familial love and resentment. Like "Ship Fever," "Narwhal" showcases Barrett's gifts for extracting high drama from the complex world of science and natural history and for placing her characters in situations that reveal their fundamental natures. Indeed, "Narwhal" is an adventure story in the way that Conrad's "Lord Jim" and "The Nigger of the Narcissus" are adventure stories: The story's extreme conditions, which make for such gripping reading, are actually moral and spiritual tests that

strip away the characters' public masks and expose their innermost drives and fears.

On its simplest level, "Narwhal" is the story of a fictional 1855 expedition to the Arctic to look for a missing explorer who disappeared a decade before, an expedition that will cost the lives of several men and warp the lives of others with memories of guilt and anger and horror. On another level, it is a story of scientific hubris and sheer pig-headed ambition, a story meant, in some ways, to recall such disparate works as Mary Shelley's "Frankenstein" and Melville's "Moby-Dick."

Does the immensely talented Barrett succeed in fulfilling her own large ambitions? The answer is: up to a point. For three-quarters of her tale, she does a masterly job of weaving her philosophical subtlety into a glistening narrative, crammed full of rich, pictorial description and tingling suspense. Only in the novel's final pages does drama give way to melodramatic contrivance and genuine moral dilemmas to easy, sentimental resolutions.

At the center of "Narwhal" are two compelling heroes: Erasmus Wells, a middle-aged naturalist who hopes to

use the voyage of the Narwhal to vindicate himself, to erase his bitter experience of an earlier journey to the Arctic; and Zechariah Voorhees, Erasmus's brother-in-law-to-be, who hopes to win glory and fame as commander of the Narwhal expedition.

The two men could not be more different. Erasmus is shy, cautious and introspective; Zeke is charismatic, cocky and impulsive. Erasmus, still mourning the death of the woman he loved, sees himself as an unconfident loner; Zeke, certain of the devotion of Lavinia (Erasmus's sister), comes across as a charming rake. Before leaving home, Erasmus promises Lavinia that he will keep an eye on the impetuous Zeke, and make sure that he returns home safely.

In narrating the long, hazardous journey of the Narwhal (from Philadelphia to Greenland to the perilous waters near the pole) and the crew's subsequent travels through the snow and ice, Barrett does a superb job of conjuring up the hermetic life on board a ship, and the magic and terror of the Arctic. Combining a naturalist's eye with a novelist's imagination, she gives us descriptions of the polar region reminiscent at once of the real-life wonders chronicled by Barry Lopez in "Arctic Dreams" and the metaphysical landscape of Poe's "Narrative of A. Gordon Pym."

By the time the Narwhal has reached the polar waters, made hazardous by icebergs and shifting pack ice, there are portents of yet more trouble to come. The sled dogs have died of a mysterious illness, and one of the sailors has succumbed to lockjaw. The crew has split into factions, and Zeke has grown

increasingly moody and autocratic. It seems that he is not content with the information he has collected from the local Eskimos about the missing explorer; he is determined to push ahead, even as winter closes in, to try to discover what he believes is an open (that is, ice-free) polar sea.

His ambition has terrible costs: it leads to at least one more death and causes incalculable suffering to the remainder of his crew. Caught in the freezing water and hemmed in by ice on all sides, the Narwhal is unable to return home, and the men are forced to spend an entire winter in the arctic with dwindling supplies of food.

Months later, when Zeke leaves on foot and fails to return, Erasmus is faced with making a fateful decision: to wait for Zeke and thereby face the prospect of making the crew spend a second winter in the Arctic, or assume that Zeke is dead and try to take advantage of the opportunity afforded by the summer thaw to try to leave.

In the last few sections of "Narwhal," Barrett's plotting gives way to a flurry of increasingly contrived events that seem to belong more to a big Hollywood movie than to the foregoing portions of the novel. Although these developments make "Narwhal" feel like a slither, slicker work than it means to be, they do not tarnish Barrett's very real achievements: her ability to convey her psychological insights into her characters, her understanding of the fickle role that chance plays in people's lives, and her appreciation of the unaccommodated power of nature. She has written a powerful and gripping — if flawed — novel.

New York Times Service

BEST SELLERS

The New York Times		
This list is based on reports from more than 2,000 bookstores throughout the United States. Weeks on the list are not necessarily consecutive.		
Rank	Title	Weeks on list
1	RAINBOW SIX, by Tom Clancy	1 4
2	TELL ME YOUR DREAMS, by Sidney Sheldon	1
3	I KNOW THIS MUCH IS TRUE, by Wally Lamb	3 11
4	THE FIRST EAGLE, by Tom Clancy	2 5
5	MEN OF A GESSA, by Arthur Golden	8 42
6	SUMMER SISTERS, by Judy Blume	4 15
7	POINT OF ORIGIN, by Patricia Cornwell	5 8
8	MESSAGE IN A BOTTLE, by Nicholas Sparks	6 21
9	BRIDGES, by Helen Fielding	7 13
10	NO SAFE PLACE, by Richard North Patterson	11 8
11	A NIGHT WITHOUT ARARON, by Lewis Klinger	9 8
12	THE KIDNAP AND I, by Danette Steel	10 11
13	LOW COUNTRY, by Anne Rivers	15 9
14	THE DAY DIANA DIED, by Christopher Anderson	2 3
15	TUESDAYS WITH MORRIE, by Mitch Cullum	1 47

3 A PRATE LOOKS AT FIFTY, by Jimmy Buffet	3 13
4 THE MILLIONAIRE NEXT DOOR, by Thomas J. Stanley and William D. Danko	6 86
5 A WALK IN THE WOODS, by Bill Bryson	5 14
6 THE DEATH OF OUTRAGE, by William L. Bennett	1
7 ANGELA'S ASHES, by Frank McCourt	4 104
8 CONVERSATIONS WITH GOD: Book 1, by Neale Donald Walsch	11 91
9 A MONK SWIMMING, by Maureen McCourt	8 13
10 CITIZEN SOLDIER, by Stephen E. Ambrose	7 24
11 THE GIFT OF THE JEWS, by Thomas Cahill	10 22
12 WE ARE OUR MOTHERS' DAUGHTERS, by Orlan Roberts	9 19
13 TITAN, by Ron Chernow	12 15
14 DIANA: Portrait of a Princess, by Jayne Ficker and Judy Wade	1
15 THE MAN WHO LISTENS TO HORSES, by Monty Roberts	13 36

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He's not a Fight Boy

INTERNATIONAL

Congo Rebels Deny Report of Attack

Compiled by Our Staff From Dispatches
GOMA, Congo — The Congo rebel commander, Jean-Pierre Ondekane, denied Tuesday that the insurgents were facing a general offensive by government troops and their allies in the eastern part of the country.

Sources in Kinshasa said that the government troops and allies were attacking Kalemie in the southeast and were nearing Kisangani, which is held by the rebels, in the northeast.

The government forces, which last month received military support from Angola, Zimbabwe and Namibia, were also said to be "at the gates of Goma," the rebels' eastern stronghold on the border with Rwanda.

But Mr. Ondekane said in Goma that

the fighting supposedly taking place between Kisangani and Lubutu, some 200 kilometers (120 miles) southeast of it, "does not exist."

He dismissed assertions by the government that its forces had captured Lubutu, saying that a plane was about to leave Goma to take supplies to the rebels there. He added that the rebel forces had pushed on past Lubutu to the village of Mayala.

"Kalemie is calm," he said, adding that the rebels were now at the village of Viura, about 50 kilometers south of Kalemie in the mineral-rich province of Katanga.

The rebel commander said that his insurgents were at Kibumba, a village about 25 kilometers north of Goma, pur-

suing Rwandan Hutu and Congolese warriors who attacked Goma on Monday.

The insurgents repulsed them after a six-hour battle. Late Monday, Mr. Ondekane exhibited prisoners dressed in civilian clothing.

Rwanda's vice president, Paul Kagame, said meanwhile that Rwandan troops had repelled an attack by Hutu fighters near the border town of Gisenyi.

The attack was part of the same operation as the Hutu raid on Goma.

Mr. Kagame accused Congo's president, Laurent Kabila, of training Hutu forces based in eastern Congo and warned that Rwanda "will not sit by and watch while Congo destabilizes us."

(AFP, Reuters)

BRIEFLY

Kenya to Try Man In '88 Tourist Death

NAIROBI — A magistrate ordered Tuesday that a former game warden stand trial Sept. 29 on charges of having murdered a British tourist, Julie Ward, in 1988.

"There is sufficient evidence to charge the accused for murder," said Magistrate Uniter Kidullah. She said that Simon ole Makallah, and others not present, had been accused of murdering Miss Ward in the Maasai Mara Reserve. (AP)

Separatists Win Key Vote in Quebec

SHERBROOKE, Quebec — Separatists in Quebec have scored an important victory, winning a Parliament seat vacated by the man trying to lead anti-separatist forces to power.

The by-election victory of Serge Cardin of the Bloc Quebecois could encourage Quebec's separatist premier, Lucien Bouchard, to proceed relatively quickly with a provincial election.

That vote must be held by the fall of 1999, but Mr. Bouchard is expected to call the election either this fall or next spring.

The by-election was for the Sherbrooke parliamentary seat held since 1984 by Jean Charest, a popular anti-separatist who quit federal politics last spring to lead the effort to unseat Mr. Bouchard. (AP)

UN Nominee Discloses Gift, Raising Question of Conflict

By Philip Shenon
New York Times Service

WASHINGTON — Richard Holbrooke, the veteran diplomat whose nomination as chief U.S. delegate to the United Nations has hit a snag, amended his financial disclosure statements to reflect a gift worth more than \$12,000 in lodging from a former U.S. ambassador to Switzerland, Mr. Holbrooke's lawyer said Monday.

Clinton administration officials said his initial failure to list the gift on his disclosure statements to the Office of Government Ethics did not pose a threat to the nomination of Mr. Holbrooke, the architect of the 1995 peace agreement that ended the war in Bosnia.

On Monday President Bill Clinton again voiced support for the nomination. "I hope, if we can overcome the inertia of Congress, he will soon be a member of the team again," Mr. Clinton said in a speech in New York.

Still, the relationship between Mr. Holbrooke and the former ambassador, the late Larry Lawrence, may prove to be an obstacle.

Mr. Holbrooke, the former ambassador to Germany, lived in the Washington home of Mr. Lawrence and his wife, Sheila, for more than a year after he returned from Germany in 1994 to take up the post of assistant secretary of state for European and Canadian affairs. The Lawrences, who were then in Switzerland, did not charge Mr. Holbrooke rent.

Mr. Lawrence gained notoriety after his death in 1996 when it was discovered that he had fabricated a heroic

World War II military record that had, with Mr. Holbrooke's support, allowed him to be buried at Arlington National Cemetery. His remains were exhumed last year as a result of the controversy.

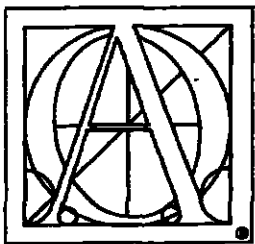
An adviser to Mr. Holbrooke, requesting anonymity, said that the investigators may be studying whether Mr. Lawrence, while ambassador to Switzerland, helped Mr. Holbrooke obtain his current job as vice chairman of Credit Suisse First Boston, the investment banking company controlled by Credit Suisse, the giant Swiss bank. The adviser said that in fact Mr. Lawrence "had nothing to do" with Mr. Holbrooke's employment.

While Mr. Clinton had intended to demonstrate support for Mr. Holbrooke on Monday in his speech to the Council on Foreign Relations, his remarks may have done more harm than good.

His remark about "the inertia of the Congress" drew an angry response from Senator Jesse Helms, Republican of North Carolina and chairman of the Foreign Relations Committee, which would review the nomination.

"We fail to see how inertia in Congress is to blame for keeping Mr. Holbrooke from the UN post," a Helms spokesman, Mark Thiessen, said in a statement. "President Clinton never actually nominated Holbrooke to the UN post and failed last week to meet a Sept. 10 deadline for getting his paperwork to the Foreign Relations Committee."

"But then we shouldn't be surprised," Mr. Thiessen continued. "It's par for the course for this administration to blame all of its troubles on someone else."



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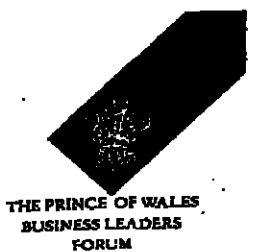
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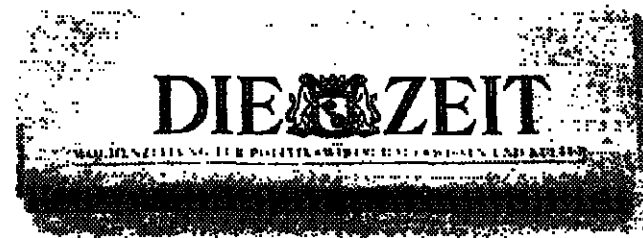
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INTERNATIONAL

Israel Hopes Arrow-2 Can Protect

But Skeptics Take Aim At New Missile Killer

By Lee Hockstader
Washington Post Service

JERUSALEM — When Israel staged a successful test launch of its sophisticated Arrow-2 missile this week, people here cheered and marveled at the astonishing technical prowess of the country's latest military coup.

Here was a supersonic specimen of "star wars" weaponry built to do what the American Patriot missile could not do in the Gulf War — reliably shoot down incoming missiles at speeds up to two miles per second traveling 10 or 25 miles above the earth's surface. It was, said the Arrow's backers, like designing "a bullet that could hit a bullet."

Israeli military men issued stately declarations of success that contained a warning to regional enemies such as Iraq, which fired 39 Scud missiles at Israel during the Gulf War, and Iran and Syria, which have developed missiles of their own designed to reach Israel.

"Yesterday was a bad day for haters of Israel," an unnamed defense official told the Israeli daily Ha'aretz, speaking of Monday's test in which an Arrow prototype destroyed a computer-simulated target over the Mediterranean after a 97-second flight.

The Arrow is expected to be fully operational in less than a year after undergoing further testing. But its glowing reviews obscure a long-standing debate within the defense establishment about how Israel should counter the growing missile threats posed by its Middle Eastern adversaries. And some Israelis worry that the Arrow — funded jointly with the United States at a cost of \$1.6 billion — is really the answer to the country's strategic needs.

For skeptics, the question is whether the cost and effort invested in developing the Arrow, a fundamentally defensive system, has detracted from Israel's ability to prevent a missile attack in the first place. Israel's emphasis on now on, some specialists believe, should be on beefing up its heaviest weapons, including its presumed arsenal of nuclear weapons, and ensuring they can survive and be used to retaliate.

Among the strategic fraternity in academia and the Defense Ministry, some experts question the hype surrounding the Arrow given that — as any weapons system — it is unlikely to be 100 percent effective.

"Syria has 26 launchers and can fire 26 missiles in one batch," said Yiftah Shapir, an analyst with the Jaffee Center for Strategic Studies at Tel Aviv University. "And one battery of Arrows would have a very difficult time protecting the country. If we are speaking about nuclear weapons, then unless you have 100 percent protection you have no protection at all. Without 100 percent protection we have to go back to second line of defense, which is deterrence. That's lousy, but it's all we have."

Other analysts see the Arrow as a key step in Israel's effort to keep abreast of the missile race in the Middle East.

Duncan Lennox, editor of Jane's Strategic Weapon Systems, said, "The lesson of war indicates that for the government to be shown to be making some effort to protect the population is what is required by the people."

"Nobody expects 100 percent defense. If they could hit three-quarters of the incoming missiles that would be extremely good and very valuable."

Missile defense is not an abstract subject in Israel. In the 1991 Gulf War, Iraqi Scuds hit neighborhoods of Tel Aviv. Israel responded with American Patriot missiles, which were designed to shoot down airplanes and not missiles, and they were largely ineffective in knocking out the Scuds.

The psychological trauma of missiles raining down on Tel Aviv, coupled with Iraq's more recent defiance of United Nations sanctions, injected a new urgency into the Arrow's development. So did Iran's new Shuhab-3 missile, which was successfully tested this summer and is expected to have a range sufficient to hit Israel.

"We have a visible arms race," said Gerald Steinberg, a member of the Begin-Sadat Center for Strategic Studies at Bar Ilan University. "And there is an overall debate over what the future balance should be" of Israel's strategic response.

Mindful of the debate, Prime Minister Benjamin Netanyahu announced Tuesday the Israeli cabinet approved Sunday a "sacrosanct" 10-year funding program "geared for one thing: to give a strategic answer to this threat." Without going into details, he stressed that Israel would develop both its defensive and deterrent capabilities.

Consumers Will Feel the Pain as U.S. Health Costs Go Up

By Amy Goldstein
Washington Post Service

WASHINGTON — The respite from rising medical bills that consumers have enjoyed for several years is coming to an end, according to a new federal study that concludes that the country's spending on health care is likely to double over the next decade, to \$2.1 trillion.

Costs started accelerating this year, according to the study, primarily because the nation already has derived most of the savings to be had from an enormous transformation in health care that led most Americans into health maintenance organizations or other managed-care plans.

The analysis found that expenditures also are being nudged upward by patients' increasing use

of expensive prescription drugs, their enthusiasm for new medical technology and their demand for greater freedom to choose doctors and visit medical specialists.

"It's the first major report that shows clearly that those who felt managed care would solve the health care cost problem forever were living in a fantasy world," said Drew Altman, president of the Henry J. Kaiser Family Foundation, which sponsors health care research.

The forecast, prepared by economists in the Department of Health and Human Services and published Monday in the Journal of Health Affairs, suggests that medical inflation is unlikely to be as rampant as it was during the late 1980s and early '90s. Nevertheless, the amount of money the country spends on health care, as a percentage of

gross domestic product, will increase sharply from 14 cents of every dollar to 17 cents by 2007.

On a national scale, greater spending means that health care, already a dominant and treacherous political issue, is likely to remain a force in elections and budget decisions. On a personal level, higher costs will translate into higher insurance premiums for employers and families.

Already, there is evidence that insurance prices, relatively stable for the past few years, are starting to climb. Last week, the Office of Personnel Management announced that premiums for federal health insurance would increase by an average of 10.2 percent next year, the biggest jump since 1989. Similarly, California's Medicaid program, one of the largest purchasers of insurance in the country, recently abandoned its refusal to pay

higher premiums and agreed to grant one of its main HMOs, Kaiser Permanente, a 10 percent increase next year.

"That's a signal that the same thing will happen with other plans," said Paul Fronstin, a researcher at the Employee Benefits Research Institute.

The study predicted that premiums on private insurance would be climbing at 8.2 percent annually by 2007, compared with 3.6 percent in 1996. Rick Foster, chief actuary for the division, said that it was difficult to predict the degree to which companies would bear the higher premiums or simply say "pony up" to their workers.

In this period of low unemployment, the study noted, companies are more likely to absorb the costs because they must attract scarce workers.

IRAN: Ready for Taliban

Continued from Page 1

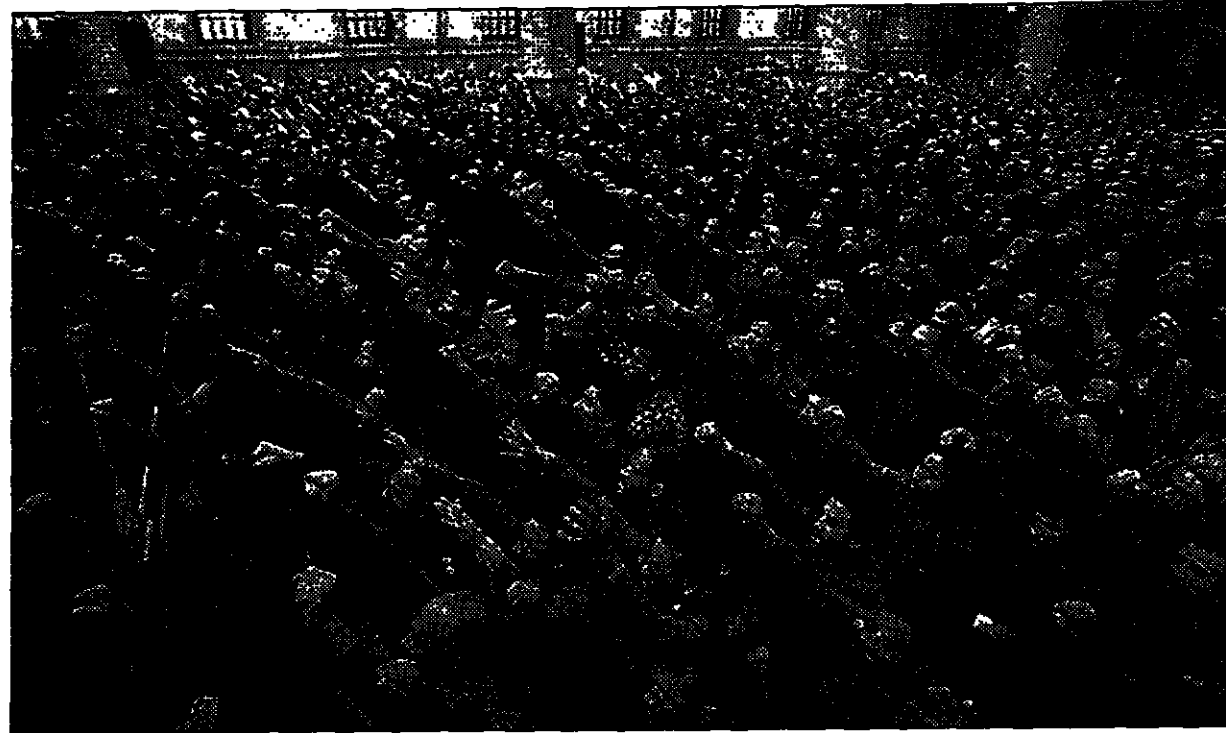
nic reprisals, and in recent days Taleban radio has repeatedly broadcast instructions from commanders that civilians in Bamian should not be harmed.

But international aid workers say it has been difficult to verify what is taking place in Bamian, in large part because UN personnel and most other foreigners left Afghanistan after U.S. cruise missile strikes on suspected terrorist targets there last month provoked widespread outrage that made their work exceedingly dangerous.

Iranian press accounts have emphasized the potential for peril faced by Shiites in Afghanistan. They make up about 15 percent of that country's population and were the dominant force in the Iranian-backed Hezb-i-Wahadat militia. But it is the deaths of the Iranian diplomats — seven of whose bodies were returned to Tehran early Tuesday during an emotional airport ceremony — that has stirred Iranian passions, creating what Gholam-Hossein Karbaschi, the mayor of Tehran, described as "a very dangerous time."

Another senior Iranian official, who would speak only on condition of anonymity, said in a separate conversation, "The honor of Iran has been damaged, and the people expect revenge."

Iran has long been at odds with the Taleban, and it has been a major supplier



Revolutionary Guards answering Ayatollah Khamenei's exhortation Tuesday in Tehran to prepare for action.

of logistic and military support to the opposition forces that have been trying to prevent the militia from consolidating its control.

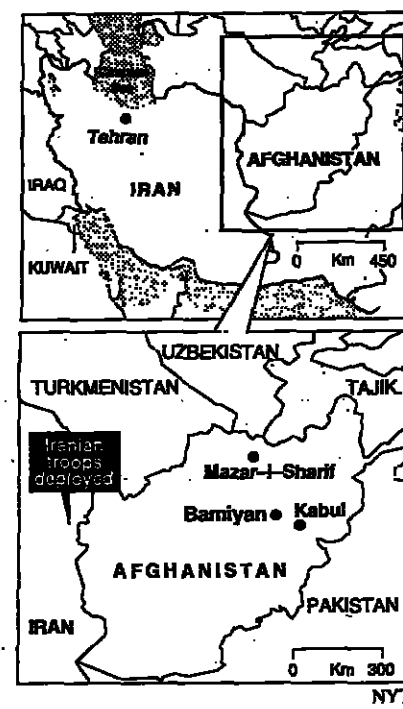
But with the capture in the last five weeks of Mazar-i-Sharif, the opposition's

northern headquarters, and Bamian, its last remaining stronghold, Taleban forces have taken control of the airstrips and land routes that Iran used to provide its indirect support. That may rank high among the factors, Tehran-based diplomats say, that Iran appears to be contemplating some kind of direct intervention.

Ayatollah Khamenei, who had warned Monday that "very great and wide danger is quite near" in the conflict with Afghanistan, issued his call for heightened readiness in an address to senior commanders of the Revolutionary Guards, the premier Iranian fighting force.

"All officials and those in charge of the affairs of the country, including the armed forces, must be ready for speedy, timely and forceful implementation of whatever decisions the senior political and security authorities deem necessary," Ayatollah Khamenei said in the speech.

The Revolutionary Guards then issued a warning of its own, adding to a recent cascade of harsh words from leading Iranian institutions. It said that the Guards and the volunteer Basij youth militia were ready "to take the revenge of the oppressed by revolutionary force."



EU May Censure Italy on Milan Airport

BRUSSELS — Italy faces legal action on Wednesday over its plan to move foreign airlines to the Malpensa airport, 50 kilometers (30 miles) from Milan, while allowing Alitalia, the state carrier, to continue operating from the Linate airport at the edge of the city.

Nine European airlines complained that the action was discriminatory, and the European Commission, the executive body of the European Union, upheld their position, saying that Italy had not provided suitable road and rail links to Malpensa.

An EC spokesman said that the talks had broken down, and that the

Italian government was likely therefore to be legally censured when the commission convened a meeting on Wednesday.

The European airlines said the Italian decision meant that Alitalia could continue to serve its hub in Rome from Linate, putting them at a serious disadvantage in transporting passengers to their hubs elsewhere in Europe.

Italy has ordered the foreign airlines to shift their operations to Malpensa by Oct. 25.

Travelers say it takes about an hour and a half, under normal traffic conditions, to reach Malpensa by road from Milan, compared with a trip of 20 minutes to Linate.

GERMANY: Schroeder Abandoning His New Middle Strategy

Continued from Page 1

card at hand. For some, this might seem an abrupt or troubling shift, a vanished conviction. But apparently not for Mr. Schroeder, or a potentially winning slice of the German electorate that, over the years, has seen him move from Marxism to a seat on the Volkswagen supervisory board, from opposition to the Gulf War to condemnation of Saddam Hussein, and now — for the time being, at least — from talk of too much statism and government intervention to promises of new subsidies and restoring old benefits.

In spite of a couple of unsophisticated comparisons, Mr. Schroeder was never

even a little bit Tony Blair, who won election in Britain in total control of his party and having promised virtually full acceptance of the profound changes Margaret Thatcher had brought to the welfare state, job market and national mind-set.

In a country where few of these reforms have taken hold, and where Mr. Schroeder is flanked to the right and left by the status quo arguments of the Christian Democrats and the Old Left reflexes of Oskar Lafontaine, the Social Democrats' party chairman, the candidate never reached beyond generalities concerning The New Middle in the evaporated early phases of the campaign.

Concepts emphasizing the need for vast change in German life, like Mr. Schroeder's previous assertion that only half the work force would have secure full-time jobs in 15 years, could not get near the rostrum now.

The candidate actually might be pleased these days with his earlier observation, seemingly made in regret then, that as far as his party goes, "public opinion has yet to take on this change that shows how we've understood the omnipotent and interventionist state doesn't have its place in the current circumstances."

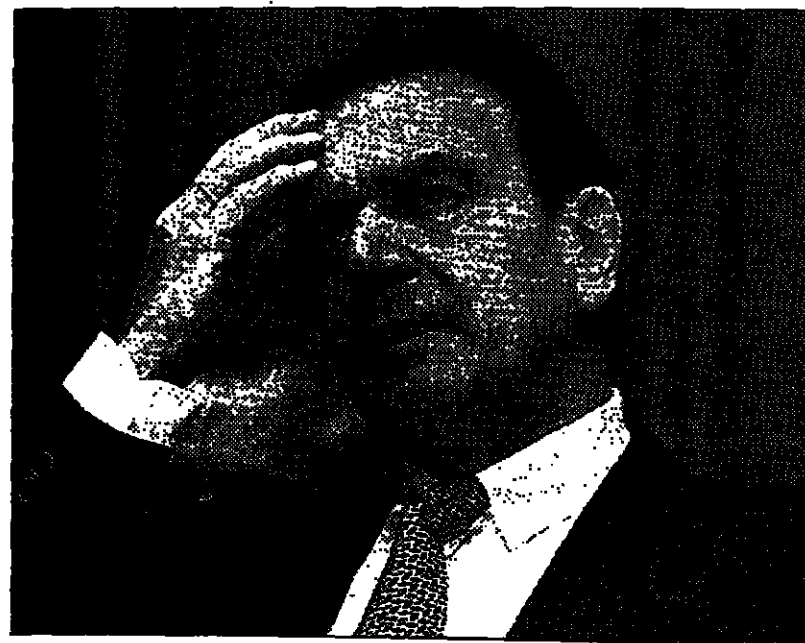
In Frankfurt, Mr. Schroeder tells the crowd in substance that he would increase family allowances, bring back a tax on the rich, turn around limitations on sick pay, and remove options for the middle-sized companies to cut back on staff.

On one side he holds up as an example for scorn wealthy tax cheats who flee the country with their profits from speculation, and on the other, "the real strength of Germany, the millions of people who do their job every day — and who have got to get relief."

"The current international crises show that nothing works without social justice," he says. "Some say the German Model is dead. Not me."

For a Social Democratic member of Parliament, who acknowledges the change in approach, it is essentially involves "the normal polarization you always get at the end of a campaign," and a greater role in it for Mr. Lafontaine.

He was described recently by Peter



Gerhard Schröder discussing a setback in Bavarian voting at a news conference in Bonn. He called it a wake-up call for his Social Democrats.

Schneider, the author and Schroeder supporter, as having written a new book on economics "that makes you happy there is a Schroeder and tells you why you've got to worry for him."

Among other things, Mr. Lafontaine has hooked onto a neo-Keynesian line that the German economy can be stimulated by the government's creating domestic consumption.

The Christian Democrats claim flatly that Mr. Schroeder ran into a wall

in hunting down centrist votes. The party now points as well to supposed signs of Mr. Schroeder's gathering weakness that include the ineffectiveness of his approximately 20 campaign appearances in Bavaria over the past months, and the similar failure of his presence to help party candidates in regional and local elections in Saxony-Anhalt and Schleswig-Holstein earlier in the year.

The Allensbach Institute, often described here as a conservative-oriented opinion research organization, described The New Middle as a failed concept in terms of serving as an evocative rallying point for Mr. Schroeder.

In a report for the Frankfurter Allgemeine Zeitung, it found that 83 percent of its sample did not know what the slogan meant, only 12 percent thought they belonged to the group, 39 percent believed they did not, and more than half felt it did not concern them.

A reporter asked a man standing under a bright red umbrella at the front of the crowd at the candidate's rally in Frankfurt what he hoped for from him.

The answer came back at once: "That he beats the hell out of Kohl."

Up on stage later, Mr. Schroeder worked the one theme there was total certainty he would not change.

Enough, he said, let's be finished with him.

"I ask you, when is better than now?"

GAMBLE: Arafat Builds an Austrian-Run Casino in the Desert — for Israelis Only

Continued from Page 1

signers of the Oslo agreement didn't foresee when they met on the White House lawn," said David Makovsky, the diplomatic correspondent for the Israeli newspaper Haaretz.

Adding to the absurd mix are scores of young Europeans who man the gambling tables. They commute to Jericho from the large, quasi-suburban Jewish settlement of Maale Adumim, where the casino company provides them with housing, and they are somewhat oblivious to the great divide they cross daily.

"It's quite a nice bubble in here, actually," said Ian McCann, 28, a casino inspector from Manchester, England.

For the depressed residents of Jericho

proper — the oldest city in the world — the casino offers a Hobson's choice. Jobs there pay almost double the wages of day labor in Israel, when it can be had. But for some they are tainted jobs.

"To be frank, we are not proud to say we work in the casino," said Mazen, 21, a janitor at Oasis who would not give his last name. "All the neighbors say, 'Better you should starve,' that it's dirty money. But what's my option? I have a B.A. in accounting and I'm unemployed."

Squatting on a box in her convenience store, Umohammed Merayy said: "Why is Israel refusing the casinos and we are permitting? I hope by God's will that this place will be destroyed."

And hers was by no means the strongest antipathy in town.

"We are a small town, a peaceful people, mostly Puritans," said Saeb Erekat, a close adviser to Mr. Arafat and a Jericho resident. "We're scared that this will bring crime, mafia, drugs, prostitution."

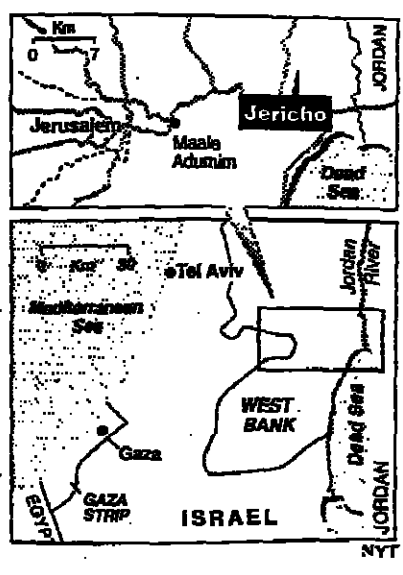
The casino is the first part of a planned resort complex. Investors include Casinos Austria, which is partly owned by the Austrian government, several European investors and some Palestinians.

One-third of the shares are indirectly held by the Austrian National Bank, and the deal was cemented during a visit to Austria by Mr. Arafat. A Palestinian official said a company owned by Mr. Arafat's economic adviser, Khaled Salama, held an almost 30 percent share, but Casinos Austria representatives said Mr. Salama was not a shareholder.

After the initial investment is recovered, the Palestinian Authority will take 25 percent to 30 percent of the casino's revenues in taxes.

Tawfiz Nuweiser, a store owner who is Christian, is a minority voice in Jericho. He says his neighbors should welcome anything that brings the town back to life.

"You've heard of the Dead Sea?" he said, sitting in front of a row of Johnnie Walker Scotch bottles and musing about conditions since the Palestinian uprising that began in late 1987. "We are the dead town," he said. "Before the intifada, Israelis used to come here all the time. Then they started to be afraid. Forget about Netanyahu and Arafat. Let us make peace between people. Or at least we can take their money."



Tom Cruise Talks, but Cat Stays Pretty Much in the Bag

By Bernard Weinraub
New York Times Service

TORONTO — Perhaps the most anticipated studio film in years is Stanley Kubrick's long-delayed "Eyes Wide Shut," made under almost military-style secrecy in England and starring Tom Cruise and Nicole Kidman. Even top executives at Warner Bros., which is tentatively set to release the movie in March, have little idea what the film is about.

But Cruise, at the Toronto Film Festival this week, broke the silence surrounding the film and insisted that the director was not what critics have been complaining of recently — indulgent — even though the movie took 15 months to shoot, an unusually long time. "He doesn't waste time; he's not indulgent," Cruise said. "He worked seven days a week. I got faxes from him at 3, 4 in the morning with scenes."

By some accounts, the movie, written by Kubrick and Frederic Raphael, is a psychosexual thriller about two psychiatrists, played by Cruise and Kidman, who are married. Warner executives have said they believed the film also involved a ménage à trois. Cruise would not go into details about the film's plot.

The film had extensive delays, including recasting several roles and frequent rewrites, but "it was part of the process," said Cruise, 35, who was in Toronto to promote the film "Without Limits," which he produced. "When you look at the amount of time it took to make the movie, it probably took 10 months of shooting time. But there are times he gave us time off." Even when the cast was away, however, Kubrick "was always working on the movie," Cruise said.

He made his comments after a news conference in which an executive at the film festival, apparently under orders from Warner Bros., said that the actor would not discuss anything related to "Eyes Wide Shut." But later, during an interview in his hotel room, Cruise was relatively forthcoming about the film.

Kubrick — one of Hollywood's most acclaimed filmmakers, whose movies include "Paths of Glory," "Dr. Strangelove," "A Clockwork Orange" and "2001: A Space Odyssey" — is surprising, but "he's not pretentious at all," Cruise said.

Suddenly he'll say something to you, or you'll see how he creates a shot, and you realize this man is different, this man is profound. And it seems without effort. And you come out of this experience and realize the possibilities of film, the possibilities of how to communicate ideas and concepts in a way that you never thought.

I've never seen a movie made this way. He does it in a certain way, like Chaplin did it his way, and Woody Allen does it his way. Woody Allen directed a whole movie and then reshot it.

Kubrick is not known as an especially spontaneous or funny director, but Cruise said he found both these qualities. "He wants to see what is going to happen," Cruise said. "I understand why he's an enigma. He doesn't give many interviews."

Cruise defended Kubrick's secrecy: "He wants to protect the story and protect the actors in his film. Today you can pick up a script on the Internet. You see movies and you already have preconceived ideas about it. You prejudge them. There's so much information out there. There's no sense of discovery. And Stanley wants that sense of discovery. He wants the movie to stand on its own."

Cruise said he had limited time to use his leverage as a movie star to make and produce his own films. With his partner,

Paula Wagner, Cruise produced "Without Limits," which opened last week to generally strong reviews. The film, directed by Robert Towne, deals with the life of the truck star Sieve Prefontaine. Without Cruise's influence, it's doubtful that Warner Bros. would have made it.

"It's a finite period of time for anyone in the movie business, and not just actors," he said. "How many movies can you make? How many years do you have the energy, the power, the time to produce movies? I know I've got to do it now. I want to use time in a way that's constructive. I don't want to sit down when I'm 70 and say I've wasted my time away and not made the films I wanted to make."

From Joshua Redman, a Hidden Polemic

By Mike Zwerin
International Herald Tribune

PARIS — While there was no intent to make any sort of a declaration or wave a flag or anything, Joshua Redman admits to a "very very very hidden polemic" behind his new Warner Brothers album "Timeless Tales (For Changing Times)."

Although his father, Dewey, was and is a major player, and although Joshua was the hottest player in his Berkeley, California, high school's hot, prize-winning jazz band, he did not grow up dreaming about being a musician. He was a valedictorian of his graduating class. When Harvard offered a scholarship, he accepted. He graduated summa cum laude in 1991. Wanting to be a lawyer, he was accepted in turn by Yale. More or less to kill the summer between college and graduate school, he entered the Thelonious Monk Foundation saxophone contest and — surprise! — he won. It meant a guaranteed career-launch.

It was also a no-brainer. Anybody smart enough to be summa cum laude at Harvard should know better than to choose to be a jazz musician rather than a lawyer. Yet, it was beyond him somehow. He had been chosen. In his liner notes, he wrote that the album is about "ageless beauty," "infinite possibility," "shared artistic vision" and "universal human significance." (Parenthetically, it does not, after a listen, seem to be at all about the blues.) The songs include "Summertime," "Eleanor Rigby," "How Deep Is the Ocean" and Joni Mitchell's "I Had a King." He "felt it necessary to explain not only what this record was about but what it wasn't about."

"It is not any sort of declaration. It is not an anthology, not a definitive statement. It's not [Herbie Hancock's] 'The New Standard.' Basically the concept behind the choice of the material only had to do with my personal relationship to certain composers and certain songs. There are a lot of misconceptions that could and probably still will develop about this record. I only wanted to put in my two cents."

The grin that followed made it perfectly clear that he was perfectly aware that the figure of speech "my two cents" is out to lunch. It illustrated the antonym of timelessness. The expression "my two cents" is history, in the contemporary American definition of the word. It's dead, all washed up, reduced to nostalgia. There is nothing timeless about it. Whereas his choice of songs was based on "an inquiry into the connectedness of everything" as opposed to the "disposable Kleenex culture we live in." Nothing to sneeze at.

The conception of timelessness is very different from the concept of nostalgia, he said, now seemingly ready to put in at least 25 cents. "And 'classic' does not necessarily mean conservative. They are very different. Some post-modern theorists would say that the present-day absence of truth and beauty is not just a stage but a sign of what the future will be. I don't believe that. Basically what I'm saying is that timelessness is modern."

It's his first concept album, and there was obviously some explaining to do. So he wrote his own liner notes. But he always does. He would like to understand why he writes his own notes despite being so skeptical about explaining music with words. Music is a magical language, that's why he likes it so much. He firmly believes that explanations can erase some of that magic. There's this intangible power that exists only when playing or listening to music. Explanations are at best half true.

On the other hand, he calls himself a "huge connoisseur" of liner notes. The first thing he does while listening to a new album is read the notes in the package. Since childhood, he has been "eager" to know what the musician who made the music or the person who has been "given license" to write about it has to say.

He smiled, apparently pleased to have thought up such a clean and poetic phrase to describe how the PR gets on the CD. Why such emphasis on words by somebody involved in the magical art of music? Well, it was the breakfast hour. He had been on a promo tour of Europe for more than two weeks before arriving in Paris for more of the same. All that work and no playing may have been getting to him.

He should wake up at eight o'clock on the day of a gig and go to the Art Institute of Chicago to see Picasso's "The Old Guitarist," it is not because he wants to look at the past. "It was done in what? 1906? That painting is something that is beautiful and alive to me right now. Depth and beauty are not things that are transitory, they are not temporal. They are lasting."

Oddly enough, one song — Bob Dylan's "The Times They Are A-Changin'" — is one of the strongest declarations ever made by a pop song. Why choose it if you do not want to make declarations? Aha! That's just the point

(made in the parenthesis of the album's title.) The way Dylan said something was as important as what he said. Redman wanted to key in on the rawness and the energy level. The song does not have a strong melody. He was attracted by its grittiness, the edginess, the emotional power. He looked for an equivalent instrumental way of expressing not only the lyrics but the openness of their phrasing. Dylan took as many bars as he needed to say what he had to say, and so did Redman.

There is a new movement that aims to stress the text in Shakespeare's plays; as opposed to a prior trend involving movie-stroked images. And so he was asked: "Which approach do you think...?" It was not even a ballpark question, and it had arrived by way of left field. Still, Redman began to answer it before it was posed. This is one unique combination of motivation, intelligence and charm. You could almost hear a premature click of comprehension.

"Right... Sure... Right..." he said impatiently.

"I think the second approach," he continued, "the one that stresses the importance of images, defines a jazz musician. That's another way of describing the things I have been talking about. Jazz is not textual music, it is not literal music."

"Classical music is based on text. The notes are all written. The classical musician asks himself, 'How can I find room within the text to insert my own interpretation?' Whereas with jazz it's all about discovering what is it about this song that makes me want to change it? What does it have that inspires me to tell my own story?"



Joshua Redman: A mystic about music, but a connoisseur of liner notes.

Frayn Reinvents the Machine

By Sheridan Morley
International Herald Tribune

LONDON — Having reinvented postwar British farce with his classic backstage piece, "Noises Off," Michael Frayn now turns his considerable if anarchic comic genius to another long-lost theatrical form, the revue sketch, in "Alarms & Excursions." These effectively died with the coming of the 1960s and BBC TV's "That Was the Week That Was" which could do them quicker, cheaper and faster.



Diana Rigg in Ted Hughes's adaptation of "Phedre."

But now we get eight plays, all loosely linked by a terror of modern gadgetry. From corkscrews that resolutely refuse to screw corks through fire alarms, answering machines, car locks and television remote controls, Frayn deals lethally with the way in which machines apparently designed to be of service take on a malevolent and destructive life of their own before imploding in, invariably, the wrong hands.

And as if to prove his point, the computer on which I am obliged to write this morning woke up this morning with several new headaches requiring the attention of a competent mechanic, in this case my wife; I spent such precious deadline moments staring wistfully over at the manual typewriter that in 40 years has never let me down and now seems to grin knowingly while all work comes to a halt.

Here as in much else of his writing in novels, journalism and drama, Frayn's message is essentially that progress is nothing of the kind, rather just an invitation for more things to go more wrong, thereby eventually rendering all human life unsustainable.

Michael Blakemore's shaggy agile production, at the Gielgud, has Felicity Kendal, Josie Lawrence, Nicky Katt and Robert Bathurst as the doomed couples forever at the mercy of their malfunctioning machinery, and I have only very few reservations. Some of the sketches outstay their welcome by a few minutes, the whole problem of quick set changes could surely have been solved by an old-fashioned revolving stage (though maybe they thought better not to risk even that primitive machinery in a play even they thought better not to risk, though it is Barbara Jefford and above all David Bradley who, as the messengers of the gods or their earthly accomplices, have to carry the plot forward at its most crucial moments. When Bradley relates, in a five-minute monologue, the monstrous fate of the stepson, Hughes's text

leaps into a vivid and terrible life that is elsewhere sometimes lacking. The Racine convention of having all events happen off-stage, only to be related to us later by indoor actors, creates problems for Jonathan Kent's tense and tough production, but he is powerfully supported by Maria Bjornson's castellated set and some wonderfully moody lighting from Mark Henderson.

In the title role, Rigg is never less than intensely powerful, but this is not, like her recent Medea, a role in which she can grow or grasp at greatness. Phedre is always at the mercy of what news the others bring her, and, in the end, she is just another of the beached mortals left when the gods have suddenly decided to turn the tide of their all-too-human errors.

Quentin Tarrantino, David Mamet and now David Hare: the dramatist as triple threat. No longer the figure so far down the power chain, playwrights are now starting to take center stage as actors and directors. Thus at the Royal Court Downstairs at the Duke of York's we now get a new Hare piece, "Via Dolorosa," in which Hare stands alone for 90 minutes relating his experiences on a first visit to Israel as the 50-year-old playwright visits the 50-year-old state.

This might have worked as well on radio or as an extended magazine travel piece, but Hare is a good and observant reporter, at his best re-creating meetings with the more eccentric and outlandish of Israel's many official and self-appointed politicians, which you sometimes feel accounts for the entire national community. If there is a debt here, it is surely to a series of BBC television documentaries that Frayn and Dennis Marks used to make: good, thoughtful explorations of a European city we all thought we knew. And Hare, like Frayn, has the knack of always going down the one street we somehow never bothered to explore.

His stage presence is charming, faintly furtive, initially apologetic, with the English public-schoolboy's habit of trying to pretend he is not really there at all. But as the evening wears on he gains confidence, becoming angrier as he realizes his problem, the one he outlined in his great National Theatre trilogy about the state of modern Britain. Essentially this is that the man or woman with a conviction, no matter how daft or dangerous, is always going to feel better than the rest of us don't-knows dithering around in the middle of the field. His research is always meticulous and his definition of Israel in turmoil as "Sects and the Single Church" is dazzling. But I'm still not sure I'd want to watch him playing King Lear.

after she has unwisely fired its operator, and Bathurst, trying, with a series of noncommunicative answering-machine tapes, to work out who and where he is, are genuine comic gems in a patchy but fun evening.

"Phedre" (launching an Almeida season at the Albery) has always been a tough one; Racine never quite got the characters right, and though the new Ted Hughes adaptation is strong on dramatic poetry, it too can be weak on characterization. But as the Almeida's opening bid for a West End home, it is characteristically brave, Spartan and challenging. Diana Rigg, in an oddly urchin red wig, doesn't give us the all-out histrionics of Glenda Jackson in an Old Vic revival 12 years ago; instead, she is defeated from the outset, up quite literally against a wall and apparently unable to tame or turn the terrible tide she has unleashed by falling in love with her own stepson.

In this role, Toby Stephens after a shaky start, captures the young man's Hamlet-like insecurities, and as the warrior Theseus, returning home to incest, Julian Glover is suitably ashen. Elsewhere the cast is more of a chorus, though it is Barbara Jefford and above all David Bradley who, as the messengers of the gods or their earthly accomplices, have to carry the plot forward at its most crucial moments. When Bradley relates, in a five-minute monologue, the monstrous fate of the stepson, Hughes's text

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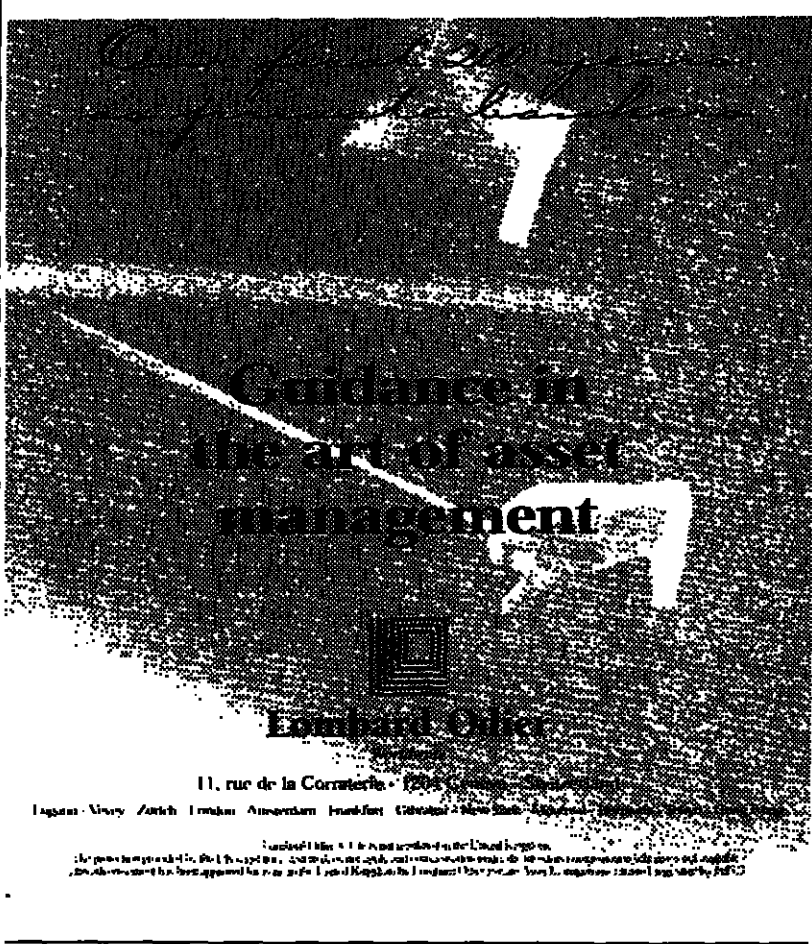
Tuesday's 4 P.M. Close

The 2,600 most traded stocks of the day.
Nationwide prices not reflecting late trades elsewhere.
The Associated Press.

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Bank America Issues Profit Warning After Trading Loss

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INTERNATIONAL A

Market Puts

NEW YORK—The stock market's reaction to the executives' testimony was worth half a point, but the package itself was sold in a matter of minutes.

But since the market breathes easier when the uncertainties are removed—the chatter is over—the market is now free to make their own bids very differently.

Executive Report said so that if the market's prolonged slump is the cause of executives' change of mind, it was their own doing.

"If the so-called executives of corporations and the stock market are going to do that for people who should not be an alternative compensation to do this," said Fischer, publisher of the Compensation Report, "I think it's a very good idea to start with some compensation that will start spreading the word that it's not a rebound."

Even before the executives' testimony, some companies were making away from executives' compensation plans that require executives' performance better than they do only out of fear that the market is overvalued.

"I have seen some companies that have a very good idea of what a good old-fashioned executive compensation plan is," said Robert A. Gorman, president of SCA's Compensation Department, "and they are now making recent executives' compensation plans that start with the same old-fashioned executives."

Mr. Ferracane said

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WEDNESDAY, SEPTEMBER 16, 1998

PAGE 15

BankAmerica Issues Profit Warning After Trading Loss

Bloomberg News
SAN FRANCISCO—BankAmerica Corp. said Tuesday its trading loss widened 50 percent to more than \$330 million this quarter, as stocks and bonds in emerging markets tumbled.

The biggest bank on the West Coast is expected to report earnings for the third quarter of more than \$410 million excluding one-time items, driven by gains in its consumer business, according to analysts who have spoken to the company. That is about half the \$819 million BankAmerica reported in the same period last year.

BankAmerica last month said it lost \$220 million because of trading currencies and securities in emerging markets after Russia defaulted on its debt and devalued the ruble.

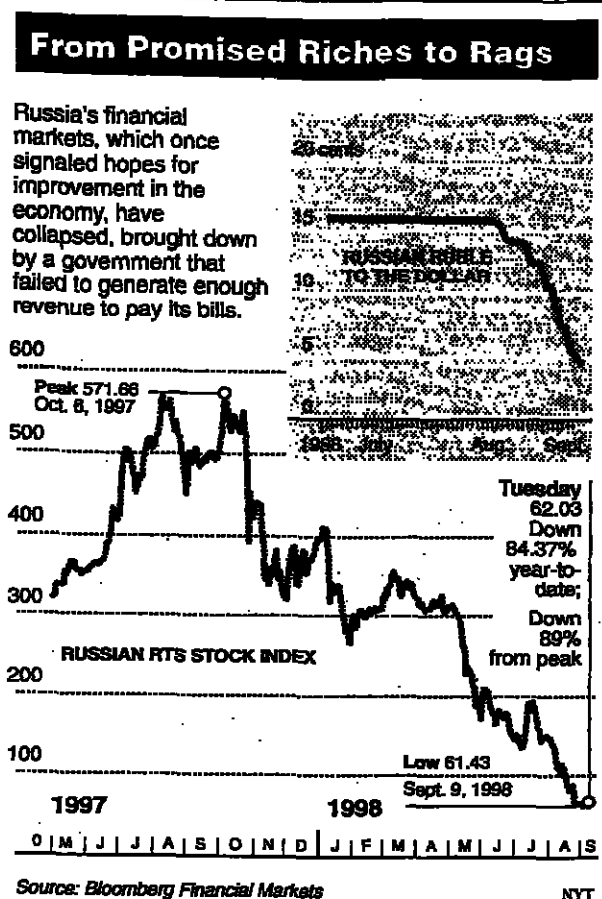
Investors are concerned that other banks, including Citicorp, Chase Manhattan Corp. and J.P. Morgan & Co., may also report a second round of profit warnings.

"You're going to see other banks 'fess up,'" said Marshall Front, managing director of Trees Front Associates Inc. in Chicago. "The numbers that I saw earlier really reflected the news in July and August. Now we're starting to see some indications about what September's numbers are going to be."

BankAmerica shares fell \$1 to \$62.9375, while NationsBank Corp., which is expected to combine with BankAmerica at the end of the month in a \$44.8 billion merger, fell 25 cents to \$56.75.

BankAmerica's profit for the quarter will include a one-time pretax gain of \$480 million from the sale of BA Housing Services. The bank will also report a one-time charge of \$200 million related to the write-down of an investment in KorAm Bank in South Korea.

The bank said it would earn more than \$500 million before these charges.



Russians exchanging money Tuesday outside a currency office in Moscow. The sign showed the ruble/dollar rate.

Russian Default Could Hit \$200 Billion

By Timothy L. O'Brien
New York Times Service

MOSCOW—Sometime next year, if it is unable to raise fresh money or delay payments, analysts expect that Russia will default on as much as \$200 billion in foreign debt—the largest default by any government in history.

With only \$12.3 billion in cash reserves in the treasury and with Russian companies' pockets virtually empty, the economy is in tatters.

About \$2 billion in debt comes due by the end of this year and \$17 billion is due in 1999, which the country is unlikely to be able to pay. At that point, Russia will be considered in default on \$200 billion in debt.

So, like a homeowner with outsized mortgage payments, enormous bills and many mouths to feed—and who has just lost a job and has scant savings—Russia is on the precipice.

It has already missed \$247 million in interest payments. A debt moratorium is in place temporarily, but the bills will continue to stack up by the tens of billions.

Financial markets around the world have been rocked in recent weeks by the turmoil in Russia, and President Bill Clinton called Monday for the world's industrial powers to confront "the biggest financial challenge facing the world in a half-century."

With a new prime minister on board, Russia must address two problems simultaneously: its staggering debt and a devastated economy scarred by skyrocketing prices, unpaid wages, dwindling food supplies and the threat of even worse to come as winter approaches.

How the Russian government tries to revive the economy, experts say, will have a profound bearing on its ability to get lenders to agree to restructure debt.

Russia has already damaged its credibility with foreign creditors by imposing the debt moratorium, so it is doubtful that any new solution will involve additional money.

At the same time, market purists have reacted with scorn to the ascendance of Soviet-era economic advisers as Prime

Ruble Slumps 27% Against the Dollar

Central Bank Wants to Add to Money Supply

MOSCOW—The ruble fluctuated wildly in Moscow trading Tuesday, finally dropping 27 percent against the dollar, as Russia's new central bank chief called for printing more rubles to pay off back wages, a move that economists fear could unleash hyperinflation.

The ruble fell to 11.95 per dollar, down 27 percent from the central bank's rate for the day of 8.67 rubles per dollar. The decline broke four straight days of gains, after banks bought dollars to settle currency forward contracts that expired Tuesday.

Meanwhile, analysts said that Russian bank defaults on up to \$1.5 billion in the currency forward contracts that were due Tuesday could provoke investor lawsuits to try to seize the banks' assets abroad.

Russia's 10 to 15 biggest banks face a loss of at least \$200 million to Western investors on the contracts, said United Financial Group brokerage in Moscow. In the contracts, the banks bet the ruble would stay stable. Instead, it is now down 47 percent from a month ago, after plunging as much as 70 percent.

The banks, already severely strapped for cash, are expected to argue that they do not have to make the payments because of a government-imposed moratorium.

"It's quite possible we will see seizure of assets by the end of the week," said Alexei Zabolotkin, a UFG fixed-income analyst. "It's much simpler to fight with the Russian banks than with the Russian government."

The potential loss—calculated as the difference between the ruble rate specified in the contracts and Tuesday's rate—could have been much higher had the ruble not soared as much as 149 percent in the past four days.

Russian banks sold rubles Tuesday, after having bought the currency in the past four days to try to bolster its value before the contracts expired, traders and analysts said. The central bank set a ruble rate for Wednesday at 9.6 per dollar.

Viktor Gerashchenko, the new central bank chief, meanwhile, said the central bank would not start adding to the money supply until its new board of directors was in place and can consider such a move.

Parliament plans a confirmation vote on the board members Wednesday.

Mr. Gerashchenko's comments came while President Boris Yeltsin conferred with his new prime minister, Yevgeni Primakov, in the Kremlin and began making appointments to a cabinet that must deal with Russia's economic woes.

Mr. Primakov on Tuesday named Alexander Shokhin as deputy prime minister in charge of finances.

Mr. Shokhin, head of the Our Home is Russia Party in Parliament, however, opposes price controls and inflationary printing of more money, policies favored by other new appointees.

Earlier, Mr. Primakov named Yuri Maslyukov, a Communist and former trade and industry minister, as deputy prime minister. Mr. Maslyukov has said he favors printing more money to support industry.

When asked about increasing the money supply, Mr. Gerashchenko said, "We can't do without that." Interfax reported. Mr. Gerashchenko did not say if the increase in the money supply would be underpinned by the central bank's hard currency reserves.

If the bank simply prints money that is not backed by assets, as it did in the early 1990s, this would erode the value of the ruble and lead to hyperinflation.

Mr. Primakov has said the new government's top priority will be paying the millions of workers and pensioners who are owed back wages. But Mr. Primakov has yet to say how the government will raise money to meet its obligations.

"We will find the necessary solutions to avoid hyperinflation," Mr. Primakov said, without elaboration.

Officials denied on Monday reports that the government had already cranked up the money-printing presses to pay wages. Any plans to print new rubles are certain to complicate Russia's talks with the International Monetary Fund. The IMF wants first to make sure that Russia has sound economic policies in place before releasing the next installment of a \$22.6 billion rescue package put together in July.

The IMF director in charge of Russia, John Odling Smee, was due in Moscow on Tuesday for talks with Russian officials. (Bloomberg, AP)

INTERNATIONAL MANAGER

Market Puts Options Windfalls at Risk

By Adam Bryant
New York Times Service

NEW YORK—Until the recent stock market slump, American chief executives had been watching their net worth balloon as the part of their pay package linked to the stock market soared in value.

But since July, stocks have been broadly lower. With the slump—and uncertainty about the market's future—the challenge chief executives face to make their stock options pay off looks very different.

Executive compensation experts say that if the market goes into a prolonged slump, the mix and structure of executive pay packages may change in ways both small and large.

"If the system works correctly, and if corporations and boards are serious about pay for performance, there should not be an alteration in how compensation is delivered," said Judith Fischer, publisher of Executive Compensation Reports, a newsletter. "But I think totally new mechanisms will start springing up if the market does not rebound."

Even before the recent slide, for example, some companies were backing away from signing onto compensation plans that require above-average performance before paying off, partly out of fear that the market was overheated.

"I have seen some people getting cold feet," said Robin Ferracane, president of SCA Consulting in Los Angeles, whose firm has designed many recent executive compensation plans that set tougher hurdles for executives.

Ms. Ferracane and others said that in the event of a prolonged slump, executives might start requesting that part of their pay be tied to measures other than the stock price, such as long-term earnings growth. That is what happened in the flat stock market of the 1970s, only to be abandoned increasingly for pay tied more to stock performance.

Such a strategy has paid off handsomely in recent years. The average salary and bonus of 279 chief executives of large U.S. companies was \$2.1 million last year, according to Graef Crystal, editor of the Crystal Report, a newsletter on executive compensation. But the present value of stock options they received, which give them the right to buy stock at a set price for a set period of time, helped push the value of the average pay package to \$8.7 million.

Clearly, the drop in the stock market has knocked tens of millions of dollars worth of paper profits off the value of many executives' stock options. For others who have signed up for more challenging compensation packages, the likelihood that those plans will pay out has also dropped significantly.

Consider John Reed, chairman of Citicorp. Earlier this year, Mr. Reed received 300,000 options to buy shares at \$120 each.

But there was an important catch. For those options to become vested, Citicorp stock had to reach \$200 within five years, and stay at or above that mark for 10 trading days within a 30-day period.

This spring, on the day the proposed merger of Citicorp and Travelers Group was announced, Mr. Reed was well on his way to reaching his mark—Citicorp's stock hit its high for the year of \$182 on April 6. But Citicorp stock closed Tuesday at \$103.875.

If nothing else, a bear market would certainly test chief executives' commitment to sticking to the letter of their employment contract.

For example, more than 20 percent of the 1,000 largest companies in the United States have adopted guidelines in the last five years that require top officers to own stock equal in value to several times their annual salaries. The goal of such guidelines was to create the perception that executives were in the same boat as outside shareholders.

But in a falling market, top executives face potentially two doses of bad news. Not only would the value of their personal holdings in company stock be falling, but if companies are vigilant about enforcing the guidelines, they will also make the chief executive buy even more stock to remain within the guidelines.

Because such guidelines are a relatively recent phenomenon, "I'm not completely sure how many teeth there are in them," said Steven Hall, managing director of Pearl Meyer & Partners, a compensation consulting firm in New York.

Certainly, many companies may be tempted to reprice their stock options, a practice used by many concerns in recent years that have not joined in the bull market. Repricing, which effectively lowers the bar over which employees must jump for the options to pay off, has come under growing scrutiny by institutional investors and the news media, and a number of consultants said they expected many companies to resist the temptation to reprice.

CURRENCY & INTEREST RATES

Sept. 15 Cross Rates										
	\$	£	D.M.	F.F.	0.10*	D.R.	S.F.	Y.	CS	Pounds
Australian \$	1.501	1.014	0.29	0.033	0.14*	0.082	1.407	1.366	1.038	1.329*
British pound	34.14	1.00	26.13	0.12	0.008	1.032	4.97	82.63	1.31	92.8*
Canadian dollar	1.484	2.027	0.69	0.29	0.09	0.082	1.407	1.366	1.038	1.329*
French franc	1.484	2.027	0.69	0.29	0.09	0.082	1.407	1.366	1.038	1.329*
German mark	1.484	2.027	0.69	0.29	0.09	0.082	1.407	1.366	1.038	1.329*
Japanese yen	1.484	2.027	0.69	0.29	0.09	0.082	1.407	1.366	1.038	1.329*
Swiss franc	1.484	2.027	0.69	0.29	0.09	0.082	1.407	1.366	1.038	1.329*
U.S. dollar	1.484	2.027	0.69	0.29	0.09	0.082	1.407	1.366	1.038	1.329*
Other Dollar Values										
Argentine peso	0.0098									
Australian \$	1.4745									
British pound	1.6772									
Canadian dollar	1.5208									
French franc	6.5595									
German mark	1.9364									
Japanese yen	109.40									
Swiss franc	1.4753									
U.S. dollar	1.0000									
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British pound	1.6772									
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Global Private Banking

AT REPUBLIC, MANAGING YOUR ASSETS IS A DIALOGUE, NOT A MONOLOGUE.

In fact, we consider asset management a team effort, with you as the key member of that team. Your particular financial needs, your objectives, help us determine the winning strategy. Our fundamental goal: to protect your capital as we safeguard its purchasing power.

It is a simple principle upon which we base our brand of financial conservatism: private banking built upon rigor, discipline and prudence. This sophisticated conservatism, vigorously pursued, has created a global private bank of exceptional stability, capable of weathering the roughest storms.

Indeed, Republic's capitalization ratio, on a risk adjusted basis, is twice as great as that required by the world's international banking regulators.

To our way of thinking, it is security as well as return that we must ensure each day. And in the process, to provide a unique quality of service, understanding and discretion.

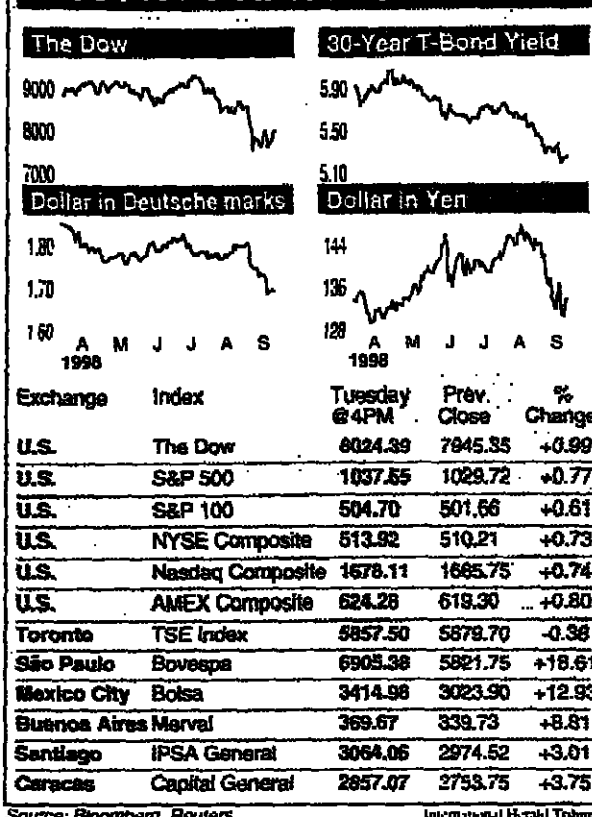
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World Headquarters of Republic National Bank of New York in New York

THE AMERICAS

Investor's America



Very briefly:

- Moody's Investors Service Inc. is considering cutting Boeing Co.'s credit rating on \$6.8 billion of debt as production problems dog the plane maker and as Asia's economic crisis increases the risk that sales there slow. The agency also cited Boeing's "continuing poor operating performance."
- US West Inc. is in cooperation talks with Telecom Italia SpA, the Italian company said, adding that it was pursuing similar talks with other potential American partners.
- Chase Manhattan Mortgage Corp., a unit of Chase Manhattan Corp., is buying Mellon Mortgage Co.'s retail network of 26 offices for an undisclosed sum.
- Best Buy Co. plans to open about 40 stores in its 2000 financial year, thanks to strong earnings by the electronics and appliance retailer, including second-quarter net profit of \$4.1 million, up from \$6.6 million in the like quarter last year.
- Banc One Corp. and First Chicago NBD Corp. shareholders overwhelmingly approved the two banks' \$20.6 billion merger, a day after the Federal Reserve Board approved the deal on condition the combined company, with \$230 billion in assets, divest 39 branches in Indiana.
- Quark Inc. abandoned an attempt to buy the rival software developer Adobe Systems Inc., citing market conditions and Adobe's opposition to the deal.

The Trib Index				
Jan. 1, 1992 = 100	Level	Change	% change	year to date
World Index	174.35	+0.17	+0.10	+1.30
Regional Indexes				
Asia/Pacific	72.23	-0.08	-0.08	-24.82
Europe	210.20	-0.16	-0.08	+8.89
N. America	174.87	-0.08	-0.05	-18.99
S. America	89.31	+1.29	+1.68	-41.50
Industrial Indexes				
Capital goods	240.05	+1.38	+0.58	+16.21
Consumer goods	215.80	+1.37	+0.64	+2.89
Energy	114.15	+1.18	+0.91	+1.53
Finance	116.65	-0.33	-0.29	-7.15
Healthcare	145.70	+0.51	+0.35	-2.79
Raw Materials	166.67	+1.20	+0.73	-0.34
Services	189.95	+2.70	+1.44	+8.67
Utilities	162.43	+3.12	+1.96	-2.86

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AMEX

Tuesday's 4 P.M. Close
The 200 most traded stocks of the day, up to the closing on Wall Street.

Stock	High	Low	Open	Close	Change
IBM	124 1/4	123 3/4	123 3/4	124 1/4	+1/4
Microsoft	56 1/4	55 3/4	55 3/4	56 1/4	+1/4
Oracle	48 1/4	47 3/4	47 3/4	48 1/4	+1/4
Amazon.com	17 1/4	16 3/4	16 3/4	17 1/4	+1/4
Yahoo	11 1/4	10 3/4	10 3/4	11 1/4	+1/4
Google	10 1/4	9 3/4	9 3/4	10 1/4	+1/4
Netflix	10 1/4	9 3/4	9 3/4	10 1/4	+1/4
Home Depot	54 1/4	53 3/4	53 3/4	54 1/4	+1/4
Walmart	48 1/4	47 3/4	47 3/4	48 1/4	+1/4
Target	44 1/4	43 3/4	43 3/4	44 1/4	+1/4
Kroger	42 1/4	41 3/4	41 3/4	42 1/4	+1/4
Costco	40 1/4	39 3/4	39 3/4	40 1/4	+1/4
Walgreens	38 1/4	37 3/4	37 3/4	38 1/4	+1/4
CVS	36 1/4	35 3/4	35 3/4	36 1/4	+1/4
Wal-Mart Stores	34 1/4	33 3/4	33 3/4	34 1/4	+1/4
Home Depot Stores	32 1/4	31 3/4	31 3/4	32 1/4	+1/4
Walmart Stores	30 1/4	29 3/4	29 3/4	30 1/4	+1/4
Target Stores	28 1/4	27 3/4	27 3/4	28 1/4	+1/4
Kroger Stores	26 1/4	25 3/4	25 3/4	26 1/4	+1/4
Costco Stores	24 1/4	23 3/4	23 3/4	24 1/4	+1/4
Walgreens Stores	22 1/4	21 3/4	21 3/4	22 1/4	+1/4
CVS Stores	20 1/4	19 3/4	19 3/4	20 1/4	+1/4
Wal-Mart Stores	18 1/4	17 3/4	17 3/4	18 1/4	+1/4
Home Depot Stores	16 1/4	15 3/4	15 3/4	16 1/4	+1/4
Walmart Stores	14 1/4	13 3/4	13 3/4	14 1/4	+1/4
Target Stores	12 1/4	11 3/4	11 3/4	12 1/4	+1/4
Kroger Stores	10 1/4	9 3/4	9 3/4	10 1/4	+1/4
Costco Stores	8 1/4	7 3/4	7 3/4	8 1/4	+1/4
Walgreens Stores	6 1/4	5 3/4	5 3/4	6 1/4	+1/4
CVS Stores	4 1/4	3 3/4	3 3/4	4 1/4	+1/4
Wal-Mart Stores	2 1/4	1 3/4	1 3/4	2 1/4	+1/4
Home Depot Stores	1 1/4	1 3/4	1 3/4	1 1/4	+1/4
Walmart Stores	1 1/4	1 3/4	1 3/4	1 1/4	+1/4
Target Stores	1 1/4	1 3/4	1 3/4	1 1/4	+1/4
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Home Depot Stores	1 1/4	1 3/4	1 3/4	1 1/4	+1/4
Walmart Stores	1 1/4	1 3/4	1 3/4	1 1/4	+1/4
Target Stores	1 1/4	1 3/4	1 3/4	1 1/4	+1/4
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Walmart Stores	1 1/4	1 3/4	1 3/4	1 1/4	+

EUROPE

BHF-Bank Sells Major Stake to ING Groep

By John Schmid
International Herald Tribune

FRANKFURT — Germany's traditional-rich BHF-Bank AG, influential but too small to survive alone in an age of colossal bank mergers, has sold a major stake to ING Groep NV, the two banks announced Tuesday.

Reflecting its stature in the German banking community, the Bundesbank looked to BHF this year when it needed to fill its second-most important position, that of chief economist. It hired Hermann Remsberger, BHF's chief economist, to replace Oskar

Issing in that job at the German central bank.

Mr. Issing now works as chief economist in Frankfurt's Euro-tower at the European Central Bank, in turn making Mr. Issing one of the Continent's most important economic leaders.

Long seen as a takeover candidate, BHF-Bank has chosen a path with its new partner that is certain to accelerate the merger-and-acquisition frenzy among the world's biggest banks.

The deal strikes particularly close to home in BHF's headquarters city of Frankfurt. It fires an arrow warning shot that the global wave of bank consolidation even-

tually is expected to change the corporate faces of such big institutions as Deutsche Bank AG, Dresdner Bank AG and Commerzbank AG, which are all but certain to be looking for partners.

The BHF-Bank has been a reputable house of finance for many years, often operating in the shadows of its bigger rivals. Its trading room remains one of the most influential in Germany's finance metropolis. It was also one of the first to be active in Eastern Europe after the fall of the Iron Curtain.

Even after the merger of Bavaria's two biggest banks to create HypoVereinsbank AG, the nation's new No. 2 bank on the stock

exchange, BHF remains the sixth biggest and has an elite clientele.

ING and BHF jointly announced that ING had finished the acquisition of a 34.5 percent stake in BHF from the German consortium of Allianz AG, Munich Reinsurance AG and DGB Bank AG.

Analysts doubt that ING, which wants to expand in Germany, would be satisfied with only a minority stake.

ING also announced that it could buy further stakes in BHF, although it said it entertains no plans to take a majority. ING said the total stake is worth 2.5 billion Deutsche marks (\$1.47 billion) based on current share values.

Thomson-CSF Plans Major Restructuring

Reuters

PARIS — The newly privatized French defense electronics company Thomson-CSF said Tuesday that it was embarking on a far-reaching restructuring that could lead the company into a loss this year.

The company made the forecast as it announced first-half profit, which fell 50 percent from a year earlier and was below predictions. Net income slumped to 275 million francs (\$48.3 million) from 551 million francs, but the drop was due in large part to the absence of a capital gain this year.

Sales rose slightly, to 16.48 billion francs from 16.40 billion in the first half of last year, and the order book declined slightly in the half, to 72.3 billion francs from 72.9 billion francs at the end of December.

Thomson-CSF's shares rose on the announcements, finishing up 3.20 francs at 203.20.

In the first half of 1997, Thomson-CSF benefited from a 172 million-franc contribution from the chipmaker STMicroelectronics NV and from the sale of investment certificates in Credit Lyonnais.

Denis Ranque, the new chairman of Thomson-CSF, said he planned to unveil in the next few weeks restructuring measures aimed at the integration of some defense electronics activities of Alcatel SA, Aerospaciale and Dassault Electronique. These will take place in 1998 and have a positive effect starting in 2000, he said.

Mr. Ranque said there would also be further restructuring and asset write-downs "to achieve faster growth and profitability improvements in this period of rapid reorganization movements in the defense and aerospace industries in France and Europe."

The restructuring plan, and the exact size of the provisions, are expected to be detailed in the next two months.

Because of the change in structure, the company said it was difficult to predict full-year performance.

It said that for the second half of 1998 it was "in a battle order" with a balance sheet geared toward creating shareholder value while concentrating on core activities.

Following a June privatization and restructuring deal, state-owned Thomson SA retains a 40.03 percent stake in Thomson-CSF. The state holds a direct stake of one special share. Aerospaciale has a 3.87 percent stake, Dassault Industries 5.81 percent, Alcatel 15.8 percent, 32.9 percent is traded on the Bourse, and employees hold 1.53 percent.

Three Banks Merge to Form Norway's Largest

Compiled by Our Staff From Danmarks

OSLO — Christiania Bank ASA, Fokus Bank ASA and the state-owned Postbanken said Tuesday they would merge in a bid to cut costs and widen their impact.

The merger will create the largest bank in Norway. With assets of 302 billion kroner (\$39.4 billion), it will surpass Den norske Bank ASA, currently the largest, which had total assets of around 250 billion kroner at the end of June.

Christiania shareholders will hold 61.1 percent of the new bank, while Fokus shareholders get 19.2 percent.

The Norwegian state, which owns all of Postbanken and 51 percent of Christiania, will get a combined stake of "just over" 50 percent.

A spokesman for Postbanken said it was unlikely that the government of Prime Minister Kjell Magne Bondevik would block the merger because the government has maintained a neutral policy on bank mergers to date.

"In an unstructured banking sector, pressure has been mounting for consolidation, and rising interest rates and falling oil prices are increasing that pressure," said Rod-

ney Alfvén, an analyst at Swedbank Markets in Stockholm.

The Norwegian banking industry is relatively fragmented compared with neighbors such as Sweden.

The new bank will be based in the central city of Trondheim, where Fokus Bank is located. The chief executive of Christiania Bank, Tom Røed, will serve as chief executive of the merged bank, while the chief executive of Postbanken, Tormod Hermansen, will become chairman.

Share trading in Christiania and Fokus was suspended on the Oslo Stock Exchange until Wednesday at

least a Postbanken spokesman.

In a joint statement, the banks said they expected to cut costs by 1 billion kroner annually and to keep individual identities.

"Postbanken's name and profile will be maintained, and Fokus's and Christiania's activities will be continued under regional brand names," the banks said.

Share trading in Christiania and Fokus was suspended on the Oslo Stock Exchange until Wednesday at

GKN Deals Armored Business to Alvis

Compiled by Our Staff From Danmarks

LONDON — GKN PLC announced a £78 million (\$130.8 million) deal Tuesday to fold its armored vehicles business into the specialist manufacturer Alvis PLC, taking a 29.9 percent stake in Alvis in return.

Alvis will pay GKN, Britain's third-largest defense company, 31.8 million Alvis shares, making GKN the biggest Alvis shareholder. Alvis, which makes Scorpion armored vehicles, will assume £15 million in GKN debt.

Alvis will benefit from GKN's rising order book, which will swell from its current level of £74 million to £130 million as a result of a £5 billion contract to build a European armored vehicle. Production starts after 2004. Alvis has an order book of £385 million.

The companies said the deal was expected to lead to the loss of 150 jobs and closure of the Alvis plant in Coventry. It promises cost savings of more than £5 million a year by concentrating production at Telford. (Reuters, Bloomberg)

Michelin Net Falls And Shares Plunge

Compiled by Our Staff From Danmarks

PARIS — Michelin SCA, the world's largest tire company, said Tuesday that first-half profit fell nearly 13 percent as the recession in Asia more than offset booming demand for truck tires in North America and Europe.

The company reported net earnings of 1.63 billion francs (\$266.4 million) in the first half, down from 1.87 billion francs a year earlier. Sales rose to 41.02 billion francs from 38.41 billion francs.

The company's shares plunged on the results, finishing at 246.4 French francs, down 29.6 francs.

Michelin has invested heavily in emerging markets to cut its dependence on Western Europe and North America, which account for about 85 percent of revenue. Despite the current difficulties in emerging markets, the company said it wanted to increase its presence in them.

Michelin said it expected its results to improve in the second half of the year. (Bloomberg, Reuters)

Cost-Cutting and Increased Demand Triple Renault Profit

Bloomberg News

PARIS — Renault SA said Tuesday its first-half profit more than tripled, buoyed by cost reductions and rising demand for its Megane and Clio models in Europe.

Europe's sixth-largest carmaker earned 4.44 billion French francs (\$780.2 million), up from 1.67 billion francs in the first half last year.

Renault's first-half sales surged 22 percent, to 121.7 billion francs, prompting the carmaker to predict a record sales year for 1998.

The French company is reaping the benefits of a 20 billion-franc plan to cut costs, which it embarked on last year to shake off a 1996 loss — its first in a decade. It plans to cut 2,700 jobs in France this year after

having closed its Belgian plant last year. As a result, its earnings outlook has improved, boosting its stock 66 percent this year.

Sabine Blumel of IMI Sigeco in London said Renault's turnaround was the result of "restructuring, strong demand in light vehicles in Western Europe and a booming truck market in Europe and the U.S."

WORLD STOCK MARKETS

Tuesday, Sept. 15
Daily prices in local currencies.
Tel Aviv

High	Low	Close	Prev.
Amsterd.	181.74	181.74	181.74
Brussels	181.74	181.74	181.74
Frankfurt	181.74	181.74	181.74
London	181.74	181.74	181.74
Madrid	181.74	181.74	181.74
Paris	181.74	181.74	181.74
Stockholm	181.74	181.74	181.74
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Vienna	181.74	181.74	181.74
Zurich	181.74	181.74	181.74

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Ringgit Rule Tightened

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Before we can

HYOCERA CORPORATION

ASIA/PACIFIC

Ringgit Rule Is Tightened

Bloomberg News
KUALA LUMPUR — The Malaysian central bank on Tuesday tightened rules on the remittance of ringgit deposits from accounts overseas, saying that transfers are allowed only between accounts belonging to the same owner.

The central bank's clarification — the fourth in two weeks — comes amid lingering confusion among investors over how the bank would implement capital control measures announced Sept. 1. Foreign fund managers have been paralyzed by a new rule that forces them to hold ringgit funds for a year and by curbs that make it unattractive to sell shares.

Separately, the central bank said that its Sept. 5 rule exempting "dividends, interests, rental, commissions and profits" from the capital controls also applied to earnings from stocks.

That means foreign fund managers who make a profit selling Malaysian stocks can convert those ringgit into their home currencies without restriction, a central bank spokesman said.

The principal invested in a stock, however, must be kept in a Malaysian bank for a year before it can be converted.

The benchmark stock index surged as much as 70 percent in the week after Malaysia imposed capital controls.

Some fund managers may have made profits, and these can be converted into their home currencies. That would be good "for foreigners who can still participate" in the market, said Gan Kim Khoo, research manager at SG Research Sdn.

But Marc Jullienne, an institutional sales trader at SG Securities in Singapore, wondered how much profit there was "walking around Malaysia now."

He also said that the ability to convert principal was "the heart of the issue."

Malaysian stocks fell Tuesday as confusion about the government policies offset the boost they had gotten from the central bank's efforts to release money to debt-laden companies.

The key Kuala Lumpur Composite Index fell 4.16 points, or 1.06 percent, to 389.08.

"The rules have been changing every single day," said Patrick Russell, managing director of W.I. Carr (Malaysia) Sdn. "People are taking the view that they must wait for the dust to settle."

Indonesian Shares Plunge 8.9%

Compiled by Our Staff From Dispatches

JAKARTA — Indonesia's benchmark stock index tumbled 8.9 percent to its lowest level in five years Tuesday in a sell-off sparked by speculation that the government planned to introduce Malaysian-style foreign exchange controls, dealers said.

The Jakarta Stock Exchange Composite Index fell 28.44 points to 292.15, its lowest level since April 1993.

The speculation, however, helped strengthen the rupiah, taking the dollar to 10,975 rupiah from 11,850.

Sjahri Sabirin, the governor of Bank Indonesia, rejected the rumors of impending foreign exchange controls, but he failed to

halt the slide in stocks as foreigners continued to sell, dealers said.

"What's for sure is that, even now, there's no plan to take any steps other than the system we are currently implementing," Mr. Sjahri said.

A European brokerage dealer said foreigners kept selling despite the Bank Indonesia denial.

"Malaysia denied it, then they implemented the controls," the dealer said.

Malaysia introduced sweeping controls earlier this month, pegging its currency, the ringgit, to a fixed exchange rate and pulling it out of international circulation starting next month.

That gave Kuala Lumpur the elbow room to lower interest rates

without fear of the markets pressuring the ringgit, which had fallen 40 percent against the dollar since July 1997.

Malaysia's move triggered a global debate on capital controls, but several regional economies have disclaimed any intentions to follow suit.

Mr. Sjahri said in remarks published last week that Indonesia had no intention of following Malaysia's example, having tried controls in the past and found them ineffective.

Indonesia's experiment with exchange controls in the 1960s and 1970s resulted in rampant currency smuggling and the economy being dominated by the black market. (AFP, Bloomberg)

Consumption Plummets in South Korea

Agence France-Presse

SEOUL — Domestic consumption plunged 28 percent in South Korea during the first half of the year, the most dramatic decline the world has ever seen, a research organization said Tuesday.

Among the Asian countries hit by the region's economic malaise, South Korea has suffered the most dramatic decline in consumption, the Daewoo Economic Research Institute said.

In the midst of the Great Depression in 1930 and 1931, the United States posted decreases in consumption of just 6.4 percent and 13.4 percent, the institute reported.

Thailand and Indonesia — the other two Asian nations worst affected by the crisis that erupted last year — will see their consumption levels fall by 14.2 and 20.5 percent respectively, the Daewoo institute said.

The level of consumer spending in South Korea is expected to plunge 27.2 percent by the end of the year, compared with 0.8 percent at the end of 1997, Daewoo predicted.

The institute blamed the contraction of the debt-ridden financial sector, punishing interest rates, the depreciation of the won and a corporate restructuring drive that has resulted in high unemployment. Joblessness hit an all-time high of 7.6 percent in July.

Meanwhile, embattled South Korean companies are offering bargain deals on sales of idle facilities and equipment as factory use plunges to record lows under the strain of the economic firestorm in Asia.

The aim is to sell to overseas buyers to help build up precious foreign currency reserves, said Park Yong Tak, a commerce and resources ministry official.

Samsung to Stay Active

Samsung Motors Inc. said it had no plans to give up its operations, amid speculation it would be forced to do so if it failed to acquire Kia Motors Corp., Agence France-Presse reported.

The denial coincided with a report that Ford Motor Co. was still interested in taking over ailing Kia Motors, despite its decision last week to drop out of the competition.

"A company was set up and a factory was constructed to do business. We are not thinking of giving this up," the vice chairman of Samsung Motors, Lee Dae Won, said.

Investor's Asia

Exchange	Index	Tuesday Close	Prev. Close	% Change
Hong Kong Hang Seng		7,733.47	7,661.86	+0.93
Singapore Straits Times		902.80	877.83	+2.84
Sydney All Ordinaries		2,554.30	2,510.20	+1.76
Tokyo Nikkei 225		Closed	14,227.37	-
Kuala Lumpur Composite		389.08	393.24	-1.06
Bangkok SET		211.08	211.34	-0.12
Seoul Composite Index		310.29	314.24	-1.26
Taipei Stock Market Index		6,857.96	6,860.17	-0.03
Manila PSE		1,140.40	1,100.76	+3.60
Jakarta Composite Index		282.15	320.80	-8.87
Wellington NZSE-40		1,762.63	1,719.26	+2.52
Bombay Sensitive Index		3,162.18	3,167.22	-0.16

Source: Reuters

International Herald Tribune

Very briefly:

• Anna Murdoch, the estranged wife of the Australian media baron Rupert Murdoch, is leaving the board of News Corp., his holding company.

• Standard & Poor's Corp. cut its credit rating for Malaysia to a notch above "junk," one day after a cut by Moody's Investors Service Inc. S&P cut the long-term foreign currency credit rating to BBB-minus from BBB-plus and the long-term local currency rating to A-minus from A-plus.

• Malayan Banking Bhd., the biggest bank in Malaysia, cut its base lending rate to 8.9 percent from 9.05 percent, falling in line with the government's push to ease credit.

• Philippine imports tumbled 22 percent in July from a year earlier, a seventh monthly decline as a weakening peso sapped the nation's ability to buy goods from overseas. The government said earlier that exports rose 21 percent in July.

• Brieries Investments Ltd. will sell at a loss its 25 percent stake in a partnership that owns 188,000 hectares (464,000 acres) of forests in New Zealand. Fletcher Challenge Ltd., a partner in the venture, will pay 90 million New Zealand dollars (\$46.2 million) for the stake, which Brieries bought in 1996 for 160 million New Zealand dollars.

• Seagate Technology Inc., the world's largest maker of computer disk drives, said it might sell an unused plant it built for \$70 million in the Philippines last year.

• MIM Holdings Ltd., an Australian copper, zinc and coal producer, said Bruce Vaughan, 71, would retire as chairman Oct. 31, to be replaced by Leo Tuit, 60.

• China's floods, which caused the closure of scores of wells last month at the Daging oil field, cut production there by 0.6 percent of the field's annual output, or \$27 million in losses based on current oil prices, the government said.

• Pohang Iron & Steel Co. will cut dollar-denominated prices paid by South Korean exporters for the second time this year to narrow the gap with won-denominated prices paid by other domestic companies. The price of cold-rolled steel will be lowered by \$27 per metric ton to \$308. (AP, Reuters)

EVA Cancels Airbus Deal as It Posts Loss

Compiled by Our Staff From Dispatches

TAIPEI — EVA Airways Corp. has canceled plans to buy 12 Airbus Industrie passenger planes, an executive for the No. 2 Taiwanese carrier said Tuesday.

K.W. Nidh, senior vice president, cited a slump in the Asian travel industry as the reason for the decision.

"We decided to suspend buying of the airplanes as we expect the aviation to stagnate for two to three years in Asia," Mr. Nidh said.

EVA signed a letter of intent with Airbus to buy 12 A340-500 or A340-600 planes last year, he said, but the value of the purchase was not

specified in the accord. The announcement came after the airline posted a loss of 583.8 million Taiwan dollars (\$16.9 million) for the first half amid regional economic woes. Sales rose 9.6 percent from the first half of 1997, to 20.1 billion dollars. EVA reported a profit of 180 million dollars for the first half of last year.

Mr. Nidh said EVA had signed code-share agreements with Ansett Australia Ltd. and Air New Zealand, effective Oct. 25.

"The airline industry code-sharing and affiliation trend is something every competitive carrier must develop to fullest," he said.

The leading Taiwanese carrier, China Airlines, last month reported a loss, its first in 12 years, of 1.56 billion dollars for the first half, compared with a profit of 1.76 billion dollars in the first half last year.

"Taiwan airlines were almost unprepared for the financial crisis," said Chris Hsieh of Nomura Securities. "Everyone was talking about big expansion in 1997. Things are quite different this year."

Alex Chen, HSBC Securities research manager, said, "The numbers of tourists traveling in the region have shrunk significantly, and companies have tightened their belts by cutting business trips." (AFP, Reuters)

RUBLE: Russian Default Could Mount to \$200 Billion

Continued from Page 15

Minister Yevgeni Primakov tries to assemble a new cabinet.

These purists characterize Russia's new stewards as Stalinist re-treads who desire a larger role for the state in managing the economy and are ready to print money to ease the cash crisis.

The new government's economic advisers say they want to preserve the strengths of the market while imposing tighter regulatory controls.

They also advocate reversing the government's move to effectively devalue the ruble and impose a debt moratorium, decisions that precipitated the economic crisis. And they

have invoked Franklin D. Roosevelt's New Deal as a model.

"Russia has lost the trust of its citizens in its financial and banking system," said Leonid Altkin, a top Soviet economic planner in the 1980s and now director of Moscow's Institute of Economics, who met with government officials Monday to discuss economic strategies.

"The first thing that one has to do is defend people and make them safe from poverty."

How the West approaches Russia's debt problem — and how open it is to working with a Russia that wants to chart an economic course of its own — is going to be a delicate balancing act.

An economic historian, Robert Kuttner, noted that it was international lenders' push for onerous debt repayments from Weimar Germany in the 1920s that led to hyperinflation there and the rise of the Nazis.

"If you simply want Russia to repay its debts, the economy collapses," Mr. Kuttner said. "And if you only let currency speculators determine the value of the ruble, then you'll have hot money flying in and out of the country."

"What you need is for the Russian government and the international community to work together to control capital flight and the ruble's exchange rate and to support Russia's version of the New Deal."

APEC Officials Fear Delays Over Free-Trade Package

Agence France-Presse

KUANTAN, Malaysia — Officials at the Asia Pacific Economic Cooperation forum ended three days of talks here Tuesday amid doubts over whether a credible package for early liberalization in nine "fast track" industry sectors would be ready when Asia-Pacific leaders meet in two months' time.

Wrapping up the final meeting of officials before the November summit in Kuala Lumpur, the Malaysian chairman, Abdul Razak Rani, said members "need to refer to some experts at home" to complete the package.

He said, "We have found an approach by which economies would actually flesh out reservations into flexibilities to fit in with the mandate given to us by trade ministers that economies will participate in all sectors and all measures."

But APEC officials said they faced a daunting

task over the next two months if a substantial package — lowering tariffs on a wide range of products to between zero and 5 percent starting next year — was to be endorsed by the leaders.

Andrew Hsia, director-general of international organizations at Taiwan's Foreign Ministry, said it was difficult to say whether leaders would have a package to endorse.

"It involves so many economies, so many sectors, so many items, domestic sensitivities. It will be a difficult process," Mr. Hsia said.

APEC groups Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, Taiwan, Thailand and the United States.

Russia, Vietnam and Peru are set to formally join the group in November.

APEC's trade and investment committee said a "significant proportion" of reservations had all

but diluted the plan adopted at last year's summit in November. Japan, for example, is particularly reluctant to open its fishery and forest products sectors. For forest products, a committee report said there were "still too many reservations" and that in some areas, "reservations are far from limited in nature and have the effect of removing the liberalization element of this proposal."

Taiwan, worried about the livelihood of 300,000 people in the fishing industry, wants "more discussions on the details," Mr. Hsia said.

Two other contentious sectors are energy and the environment. According to the latest proposal, tariffs would be eliminated by the beginning of 2003 in the environmental sector and by mid-2004 in the energy sector.

But some energy exporters are arguing that tariffs on anything from bulldozers to shovels and buckets should be eliminated as they are all

used in the mining industry, an official from one country said. "The hidden aspect of the fast-track sectors is that most of the coordinators are from the exporting economies," the official said. "Developing economies are quite frustrated. They feel they are being pushed by the exporting countries."

Leung Pak-Cheung, director-general of the Pacific Economic Cooperation Council, one of APEC's three official observers, said he was certain an agreement would be struck at the 11th hour, as has been the case in other trade rounds.

Edsel Custodio, the Philippine chairman of the trade and investment committee, said coordinators for each sector would stay in touch over the next two months to patch up any gaps.

"Most of the information is now in hand. So they can make some decision how the packaging would be so everybody can come on board. From now on, they will work hard to complete the package," Mr. Custodio added.

Other priority sectors include chemicals, gems, medical equipment and toys. The ninth sector, telecommunications, is already settled.

IBM and Korean Air Reach Technology Deal

Agence France-Presse

SEOUL — International Business Machines Corp. closed a deal Tuesday for the restructuring of information operations at Korean Air, part of a long-term IBM plan to bolster investments in crisis-hit Asia.

The agreement for Korean Air to use IBM products is valued at more than \$400 million and will be IBM's first major technology transfer here. IBM's chief executive, Louis Gerstner Jr., said the company would provide \$7.3 billion in goods and services in the next three years to set up engineering support centers here.

IBM also was negotiating a technology services joint venture with the South Korean conglomerate SK Group, a deal that could be worth up to \$1 billion, an SK spokesman said.

Before we put our finest printer together, we considered how it should come apart.

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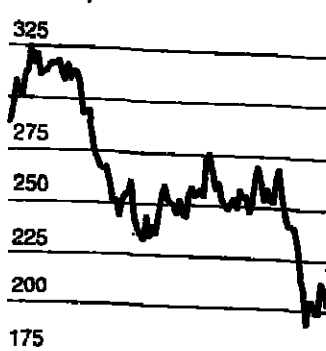
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INTERNATIONAL INVESTING

Signs of Higher Profit Stir Talk of Rebound in Tech Stocks

Technology Turn

The Philadelphia Semiconductor Index has shown signs of recovering after falling almost 40 percent since April.



NEW YORK—Investors have seized on some unexpected good news from Intel, Oracle and National Semiconductor to drive technology shares higher.

Upside surprises have been few and far between in recent months, so there is a strong incentive among prospective stock buyers to extrapolate a recovery in technology from these three data points.

Indeed, some analysts said that so many companies had either warned of poor results to come or had reported earnings below estimates in the quarters ending in March and June that a sizable number would now beat Wall Street's diminished expectations for September and December.

Whether that kind of performance qualifies as a recovery is still open to discussion.

Look at Intel Corp., which said last week that its third-quarter sales would be

8 percent to 10 percent higher than the \$5.9 billion reported in the second quarter, rather than flat, as it suggested earlier. While 10 percent sequential revenue growth is enormous, it is in comparison to the weak June quarter, which showed no revenue growth over the period a year earlier and a 29 percent drop in earnings.

Similarly, National Semiconductor Corp. said sales would be up over earlier forecasts because of strong August orders. But it noted that orders were still down 30 percent from the previous year.

For its part, Oracle Corp. announced per-share earnings that were several cents above analysts' estimates, thanks primarily to stronger-than-expected license revenue from its traditional database business.

But in applications, where Oracle has placed its hopes for growth, revenue was flat, and the company still lags far behind rivals like PeopleSoft Inc. and

SAP AG of Germany. Oracle remains the dominant database company, but that market is widely regarded as mature.

Nevertheless, many analysts are ready to call a bottom. The Philadelphia Stock Exchange semiconductor index, which peaked in late April, nearly three months earlier than the broader technology sector as reflected by the Nasdaq composite index, may also turn out to be an early indicator of a market turnaround. The Philadelphia index has gained 12.6 percent since hitting its 52-week low of 190.04 points during trading Sept. 1.

The pickup in National Semiconductor's orders was primarily in the company's personal computer-based product lines, said Mark Edelstone of Morgan Stanley Dean Witter.

The PC inventory correction is over, and PC demand is seasonally higher in the second half of the year, he said, adding, "Intel is the first company to get healthy.

The rest of the industry still lags."

Mr. Edelstone said he did not expect many positive surprises in the semiconductor business in the third quarter, but he does in the fourth.

"In the second quarter, more than 20 semiconductor companies pre-announced negatives," he said, "55 percent were below estimates. I think we can cut that number in half."

Michael Murphy, editor of the California Technology Stock Letter, takes an even more bullish view. "What's going to happen going forward is what we're seeing today," he said.

Technology companies could flourish even as blue-chip companies head into recession because they are typically driven by product cycles rather than economic cycles. With Microsoft Corp.'s release of Windows 98 in May, and its anticipated release of Windows NT 5.0 next year, more corporations are likely to upgrade

personal computers. That push will ripple through the industry, Mr. Murphy said, giving a lift to makers of semiconductors, disk drives and software.

John Rossi, a managing director with BancAmerica Robertson Stephens, said technology stocks were the first to fall as a result of the Asian crisis but might also be the first to recover.

"The blue-chip companies took longer to feel the effects of Asia," he said, "but next year a lot of these companies will do the bulk of their spending to fix year 2000 problems."

While saying that technology companies could prosper even in an economic downturn, Roger McNamee, a principal in Integral Capital Partners, which specializes in technology stocks, took a more cautious view. Personal computer technology, he said, "is the likely place people will do triage in terms of capital spending."

In Cyberspace, as in Cartoons, It Pays to Look at the Bubble

By Jerry Knight
Washington Post Service

WASHINGTON—Everyone who reads "Doonesbury" knows how the Internet start-up game is played.

As the cartoonist Garry Trudeau pointed out when he introduced readers to his satiric start-up, Milk Inc., profit is beside the point. Revenue is nice, but not really necessary. Growth is measured by the "burn rate"—in cyberspace, success means spending money faster than the company did last quarter or last year.

By those standards, E-Net Inc., a company based in the northern suburbs of Maryland whose products allow people to make phone calls over the Internet or on corporate data-communications networks, is Mr. Trudeau's kind of company.

At E-Net, revenue rose 32 percent last year, to \$723,000, although expenses rose much more—by 300 percent, to \$4.2 million. The company has never made a profit, and E-Net officials refuse to speculate on when it will make money.

When the "Doonesbury" charac-

ter Mike tallied similar results for his fictional Milk Inc., which he founded with his partner Kim, she exulted: "Another Internet success story!"

"Just think what we must be worth!" Mike added.

For shareholders of E-Net, "Just think what we were worth," would be more like it. On Aug. 17, a week before the "Doonesbury" segment began, E-Net's stock hit a record high of \$19 a share. Since then, the price has fallen to around \$3.

Talk about burn rates. In the past four weeks, 85 percent of E-Net shareholders' investment has evaporated, but a lot of that may have been vapor to begin with. When the stock was at its peak, E-Net had a market value of more than \$160 million—or 200 times the total sales last year.

Only in cyberspace and satiric cartoons did anyone argue that a start-up company could be worth 200 times its annual revenue. Not only did Internet stock analysts accept that premise, they even declared it a guiding principle.

Vik Grover, an analyst at Kaufman Bros. L.P. in New York, in June

predicted that E-Net stock could hit \$20 a share. Why? Because the stocks of its key rivals already were trading at equally stratospheric levels.

Mr. Grover has since decided that "the valuation model was not correct"—an understatement indicative of the way analysts talk. Another example: On Aug. 20 Mr. Grover reduced his rating on E-Net stock from "buy" to "hold." In analyst-speak, "hold" generally means "sell."

Investors who understand the lingo dumped the stock then, when it was selling for \$16 a share.

Mr. Grover and many other investors became entranced with E-Net because a publication called LAN News did some Consumer Reports-style testing and decided that its products were the best in their field.

One of E-Net's products is a \$159 black box that hooks up to a home computer. When two computers equipped with the boxes are linked over the Internet, users can make long-distance phone calls without paying long-distance phone charges.

The real target of E-Net's business, however, is business. Big companies are enthusiastic about

how much they could save on their phone bills by routing calls over corporate data networks.

A handful of other start-up companies are developing similar systems, but E-Net's system is considered by Mr. Grover and other analysts to be one of the most promising.

Turning a promising Internet technology into a stock worth 200 times E-Net's revenue required considerable help from the Net itself, however. Yahoo lists some 900 postings about the company's stock, most of them apparently from amateur investors taken with the company's technology and lure of free long-distance calls.

It is those Internet-influenced investors who got burned by the fall of E-Net stock. But all the signs had been there, on the Internet.

Like any company burning capital, E-Net needed to keep raising money. Last April 16 it disclosed that it had received \$5.1 million by selling 750,000 shares for \$7.50 each to the Pennsylvania Merchant Group, an investment firm.

Because the stock was sold privately and not registered with the

Securities and Exchange Commission, it could not be traded and did not dilute investors' holdings.

But on Aug. 25 E-Net disclosed in filings available on the Internet that it had registered those shares and two other batches, dumping an additional 1.125 million shares on the market.

A few days later, with the stock down to \$9, TheStreet.com, a Web site for investors, warned that E-Net stock might plunge when the freshly registered shares were unloaded.

In fact, sources said, investors who held the newly issued stock already had cashed in their investment before the shares were even registered, when the stock was still trading in the high teens.

Selling unregistered stock is illegal, but what some investors are believed to have done was to get out in advance by short-selling—that is, borrowing stock from someone else and then selling it. Usually, short-sellers "cover" their positions and repay the stock loans by purchasing the stock later at a lower price. But in this case, they simply used the newly registered shares to repay the stock loans.

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We are pleased to announce that Wilbur Kim has joined the company as Senior Vice President in charge of Investment Management Marketing and Sales.

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WORLD ROUNDUP

Counterbids Flag

SOCCER Expectations of a swift counterattack by a rival bidder to Rupert Murdoch's BSkyB for the English club Manchester United faded Tuesday as two rumored candidates stepped off the field.

The U.S. investment bank Salomon Smith Barney said it had advised a "potential client" that had asked for information on the club to return to the sidelines until a review by British competition authorities had been completed. Time Warner and the British commercial TV company Granada have been widely rumored in the British press as potential rivals to BSkyB.

Earlier, another potential bidder, the U.S. advertising giant Interpublic Group, denied it was in the running to trump BSkyB's \$623.4 million (\$1.04 billion) bid. (Reuters)

Poles Say No to Russians

SOCCER Spark Moscow was delayed by six hours on its way to a European Champions' League match at Graz, Austria, when Poland refused their charter flight permission to enter its airspace Tuesday. Having taken off at 11 A.M., the Russians found themselves back in Moscow three hours later fixing a documentation problem before taking off again. Polish authorities reportedly refused to give the flight permission to enter Polish airspace because of debts owed by the charter company Gromov-Air. (Reuters)

Pakistani Steps Away

CRICKET Pakistan's Wasim Akram, one of the world's great all-rounders, has quit international cricket in a bid to clear his name over match-fixing allegations. He has not ruled out a return to the world stage in the future, but says he may need a two- or three-year break. (AFP)

Slugfest of the Century

Sosa Could Get a Last Shot at McGwire

By Dave Anderson
New York Times Service

NEW YORK — The day before the All-Star Game in Denver, Sammy Sosa was sitting with Ken Griffey Jr. in the interview area at Coors Field when he was asked whether he, Mark McGwire or Griffey had the best chance to break Roger Maris's record of 61 homers this season.

"I have my money on Mark McGwire," said Sosa, the Cubs' smiling slinger. "Griffey, I know you my boy, but —"

At the time, McGwire, who had hit 58 homers a year ago, had 37.

Griffey had 35 and Sosa 33. "We have another half to go," Sosa said. "Who knows? I might be the one, Griffey might be the one, or Mark."

Like everybody else, Sosa was talking about the one man who might break Maris's record. It never occurred to

VANTAGE POINT

him, or to anyone else, that two sluggers might hit 62 homers this season, much less that they would have done it with two weeks left in the schedule.

Against the Pirates in St. Louis on Tuesday, McGwire, the Cardinal first baseman, had two singles but no homers. Sosa, the Cub right fielder, was hitless in San Diego, striking out four times.

In past seasons, when the days have dwindled to a precious few, baseball has had some memorable pennant races and batting-title races. But it has never had a home run race anything like what Sosa has suddenly created in his day-to-day duel with McGwire.

Instead of chasing Maris's record, McGwire and Sosa are now racing each other to whatever the eventual record might be — 65, 67, 70 or beyond — when the season ends on Sept. 27. And Sosa may get the last shot because his season might not end then.

If the Cubs end up in a playoff with

the Mets or Giants for the National League wild-card berth, Sosa would get an extra game. If he were to hit any homers in a wild-card playoff game (but not a division playoff), they would count in his season total.

In the final two weeks, McGwire will have to hope there is no recurrence of the back spasms that forced him to leave Sunday's game. He was back in the lineup on Monday night in St. Louis, saying he felt fine.

Now there will be different psychological factors that would seem to help and hurt both Sosa and McGwire.

The urgency of the Cubs' drive for the wild-card berth should help Sosa maintain his concentration. But of his remaining 12 games, only three are at Wrigley Field. He has hit 35 homers there, one every 8.37 at-bats, including four in three games against the Brewers over the weekend.

On the road, Sosa has hit 27 homers, one every 11.11 at-bats. After the four-game series in San Diego that opened on Monday night, the Cubs were to return to Wrigley Field for three weekend games with the Reds, then finish the season next week with two games in Milwaukee and three in Houston.

Although the Cardinals have no wild-card aspirations, they play 10 of their final 13 games at Busch Stadium, where they opened a four-game series with the Pirates on Monday night and where McGwire has thrived. With 32 homers there, he has one every 7.31 at-bats.

The Cardinals go to Milwaukee this weekend for three games, then return to St. Louis for two games against the Astros and four against the Expos.

Over the season, McGwire has hit five homers against Houston, two each against Milwaukee and Pittsburgh and one against Montreal. Sosa has hit 10 against Milwaukee, 4 against Cincinnati, 3 against Houston and 2 against San Diego.

Until Sosa's surge last weekend, McGwire had always maintained his lead by responding to Sosa's homers with



Sosa heading for the dugout after striking out in the sixth in San Diego.

homers of his own. Now he must respond just to get ahead of Sosa again.

Whatever happens down the stretch, this home run race promises to be more compelling theater than the last weeks of the 1927 season, when Babe Ruth hit 60, and the 1961 season, when Maris hit 61.

Going into September 1927, Ruth had 43 homers, Lou Gehrig 41. In a Sept. 6 doubleheader in Fenway Park, Gehrig hit his 45th for the lead but the Babe quickly hit three — his 45th, 46th and 47th. The next day the Babe hit two more, then added 11 in his final 20 games for 60.

Gehrig hit only two more for 47.

In 1961, Maris had 56 and Mantle 53 in September when Mantle developed a severe hip abscess from a flu shot. He missed 18 games, finishing with 54 homers. For both Maris and Ruth, there was no September pennant-race urgency. In 1961, the Maris-Mantle Yankees won the American League pennant by 8 games; in 1927, the Ruth-Gehrig Yankees won by 19 games. And now, after all their homers and all their moments, the chase is over for Mark McGwire and Sammy Sosa, but their race for the record has just begun.

Elusive 63d, Will It Be?

By Ed Guzman
New York Times Service

SAN DIEGO — The great home run chase came to Qualcomm Stadium in the form of Sammy Sosa, the newest member of the 62 home run club.

But initiation of a 63-home-run fraternity would have to wait another day, as the Cub right fielder went 0-for-4 with four strikeouts in a 4-3 loss to the Padres on Monday night.

A crowd of 60,515 came to watch Sosa, although only 23,948 were paying customers. It was part of a promotion in which fans could use unused tickets from previous Padre games. The promotion was scheduled long before Sosa made baseball history, and fans took advantage of it for a feel of the home run fever. Paying or not, the crowd was lively and rambunctious, filling the air with chants of "Sammy! Sammy!"

Every time he struck out, Padre fans would both cheer and boo, cheering Sosa for his efforts and booing the pitcher.

The evening came to a dramatic climax in the eighth inning. After the Cubs tied the score at 3-3 on a one-out home run by Jose Hernandez, Mark Grace reached base on an error to bring Sosa up to the plate. The Padre manager, Bruce Bochy, countered with the right-hander, Dan Miceli, who had given up Sosa's fourth home run of the season in April.

Miceli wasted no time, challenging Sosa with fastballs and striking him out on four pitches, the last one swinging, to keep the score tied. Ken Caminiti then led off the bottom of the inning with a homer, that would give the Padres the victory.

Sosa later said that he just gave the bat, which he hit his historic home run to the Hall of Fame, despite reservations. "I hit 59, 60, 61 and 62 with it," Sosa said. "But when they told me that it would be close to the bats of Mark McGwire and Roger Maris, I said, 'O.K.'"

McGwire Fans Are Uneasy

Ira Berkow of The New York Times

Cardinal fans are concerned that the spectacular home run race between Mark McGwire and Sosa that was supposed to be finished is heating up again, and perhaps not entirely to their liking.

"People are saying Sosa will pass McGwire," said Darren Gatton, a bartender. "Sosa's on a roll, and Mark's bat is hurting."

There had been a question whether McGwire, who had suffered a back spasm in Sunday's game against Houston and was taken out in the fifth inning, was going to play at all on Monday night as the Cards played host to the Pirates.

But before the game, McGwire reported that his back was fine. He hit several balls out of the park in batting practice, and he was at his customary station, first base, as the game began.

He did not do his customary damage, hitting no home runs in four times at bat against the last-place team in the National League East. McGwire went 2 for 4, with two singles, two runs batted in, one strikeout and no walks, as the Cardinals won, 7-3.

As to whether McGwire would play both games of a doubleheader on Tuesday, LaRussa said: "I doubt he'll be out there for 18 innings with an aching back. He'll play one of the games. Which one will depend on who the pitchers are."

Since McGwire hit his record-breaking 62nd home run last Tuesday, he is 3 for 18 in six games, with three walks and seven strikeouts. In that time, Sosa has hit four home runs to tie him. McGwire has now gone six games without hitting a home run. The longest he has gone this season without a homer is 10 games.

3 Teams Battling for Playoffs All Lose

The Associated Press

After battling all summer for playoff position, Boston, Texas and Toronto are feeling the heat of September.

The three teams in the thick of the playoff race all lost Monday night, with the Red Sox and the Rangers falling even to score.

"This what September baseball is all about," said the Texas starter, Aaron Sele, who lost to Baltimore, 1-0. "They're not playing for luck. Here

BASEBALL ROUNDUP

we come in and have a tight race and they can knock us off. That's all the motivation they need."

Texas fell two games back of AL West-leading Anaheim.

Sele pitched 6 1/2 shutout innings, and Baltimore's Juan Gonzalez didn't talk a run for seven. Aaron Mills (3-2) got the victory, and Armando Benitez earned his 21st save after the Orioles scored the only run of the game on a sacrifice fly by Eric Davis in the eighth.

Yankees 3, Red Sox 0 The struggling Red Sox managed just three hits off Orlando Hernandez. Almost a lock to make the playoffs as the wild card for several weeks ago, the Red Sox have lost 9 of 11 as charging Toronto has cut the lead to three games. Hernandez (10-4) struck out nine and walked none as the Yankees beat Boston's ace, Pedro Martinez

(18-6), for the second time in a week.

Indians 6, Blue Jays 3 The Blue Jays entered with 14 victories in 17 games, but could not solve the Indians' starter, Dwight Gooden, who won his fifth straight decision.

Angels 4, Devil Rays 2 Todd Greene and Garret Anderson hit RBI doubles during a four-run eighth inning as Anaheim ended a three-game losing streak by winning in Tampa Bay.

Pirates 4, Athletics 2 In Kansas City, Mike Sweeney and Jeff King hit three-run homers, and Dean Palmer drove in four runs for the Royals.

Mariners 10, Twins 3 Mac Suzuki (1-1) got his first major league victory, and Russ Davis hit a three-run homer as Seattle won in Minnesota, which lost its fifth straight. Ken Griffey Jr., who leads the AL with 51 homers, went 0-for-5.

White Sox 4, Tigers 1 Chicago's Ray Durham and Craig Wilson led off the 12th inning with homers off Doug Bochler (0-2).

7th Straight Title for Braves

Ho-hum, another division title for the Atlanta Braves. Add one for the Houston Astros, too, albeit a bit later than they hoped. The Braves made it seven straight division titles, taking the NL East with a 4-2 victory over the Philadelphia Phillies.

How expected was it? The clincher attracted only 33,367 fans, the second-

smallest crowd at Turner Field in Atlanta since May 23.

Atlanta added to its record of consecutive division titles when Tom Glavine became the NL's first 19-game winner. Chipper Jones and Michael Tucker homered for the Braves.

Mets 7, Astros 4 The Astros lost in 13 innings, but also got to break out the champagne for winning their second straight NL Central title. Houston clinched the championship when second-place Chicago lost to San Diego, a defeat that dropped the Cubs into a tie with the Mets for the wild-card lead.

A crowd of 24,241 at the Astrodome was ready to party when Houston took a 4-2 lead into the ninth. But Brian McRae hit a tying two-run homer in the ninth, then added a two-run double in the 13th as the Mets delayed the celebration.

Reds 4, Pirates 2 In Phoenix, Travis Lee drove in five runs as Arizona took a 1-0 lead in the third inning. San Francisco's most lopsided loss in the season left it 3 1/2 games behind in the wild-card race.

Brewers 2, Reds 1 Jeremy Burnitz hit his 37th home run and an RBI double as Milwaukee won at Cincinnati.

Mariners 2, Brad Fullmer hit a three-run homer, and host Montreal sent Florida to its 16th loss in 18 games.

Dodgers 4, Rockies 1 Carlos Perez pitched his third straight complete game as host Los Angeles beat Colorado.



A fan with Sammy Sosa's 62d home run ball fleeing down a street.

It's Wild in the Streets Outside Wrigley

The Associated Press

CHICAGO — The home run battle between Sammy Sosa and Mark McGwire is nothing compared to the fierce tussle behind Wrigley Field for flaming Sammy's blasts into the streets surrounding the stadium.

When Sammy Sosa launched his 62d home run out of Waveland Avenue on Sunday, dozens of fans made a pile, then bit and kicked and punched until one guy emerged with the baseball.

Three people now claim to be the rightful owner. "Only in Chicago," said a police spokesman.

On No. 62, said a fan, Bob Milkovich, the ball landed in an alley where there was "just a sea of people." The battle for the ball continued until one man, Brendan Cunningham, 33, emerged with it hidden under his shirt and took off. Cunningham found some police officers a half-mile from the park, and they whisked him away for protection.

A truck driver who claimed to have grabbed the ball first later complained that he had been robbed of the ball. A 15-year-old juvenile also claimed to be the first person to catch the ball.

SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS

TEAM	W	L	Pct.	GB
AL EAST				
New York	104	44	.702	0
Boston	88	60	.594	16
Toronto	81	67	.548	23
Baltimore	77	72	.517	27
Tampa Bay	58	90	.393	44
AL CENTRAL				
Chicago	82	64	.562	0
Minnesota	71	75	.486	11
St. Louis	65	81	.444	17
Atlanta	65	84	.438	17
Detroit	57	93	.380	26
AL WEST				
Los Angeles	81	64	.559	0
Texas	79	70	.528	2
Seattle	62	87	.412	19
San Diego	60	89	.402	22
NATIONAL LEAGUE				
AL EAST				
Florida	96	55	.636	0
New York	84	67	.556	12
Philadelphia	70	81	.463	26
Montreal	60	91	.397	36
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St. Louis	74	74	.500	18
Atlanta	60	88	.409	32
Pittsburgh	67	82	.448	25
NATIONAL LEAGUE				
AL EAST				
San Diego	80	70	.533	0
San Francisco	77	74	.510	3
Colorado	72	80	.474	7
Arizona	61	91	.399	18
NATIONAL LEAGUE				
AL EAST				
St. Louis	100	50	.667	0
Atlanta	88	62	.589	12
San Francisco	80	70	.533	18
Philadelphia	74	76	.493	24
Montreal	67	83	.445	31
Pittsburgh	61	89	.405	37
NATIONAL LEAGUE				
AL EAST				
St. Louis	100	50	.667	0
Atlanta	88	62	.589	12
San Francisco	80	70	.533	18
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**e in Ireland
d 'No More'**

European Soccer/ROB HUGHES

Steve Young scoring easily against the Redskins on a quarterback sneak.

Compiled by Our Staff From Dispatches

COMMONWEALTH GAMES

By Thomas George
New York Times Service

■ 2 Major Losses to Injuries

Compiled by Our Staff From Dispatches

Jacques Rogge, the IOC official responsible for coordinating the organization of the 2000 Games, added: "We don't want the police in the stadium stands."
(AP, Reuters)

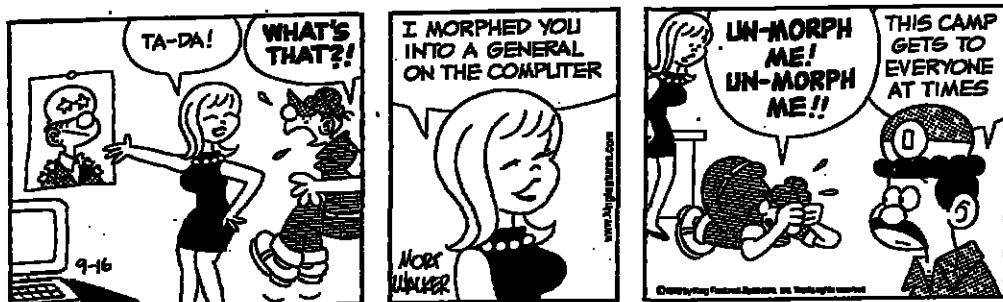
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GARFIELD



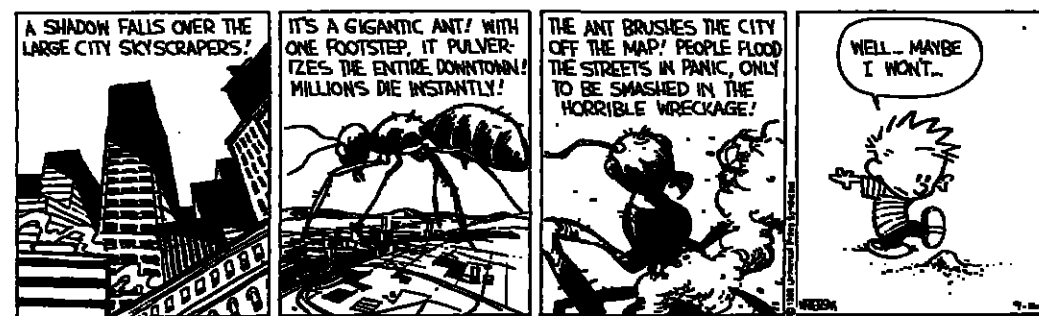
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Herald INTERNATIONAL **Tribune**

**Western Europe Proposes
New Arms Control Pact**

OBSERVER

Mark Meets the Babe

By Russell Baker

NEW YORK — In the course of being interviewed half-to-death this week, Mark McGwire began speculating on the next world. One of these days, he said, he hoped to meet Babe Ruth there and talk with him about hitting home runs.

McGwire had clearly not thought this through at the time, and no wonder. With millions of people cheering him and millions of dollars about to flow through his bank account, he can hardly have been in a reflective mood about the perils of afterlife.

One of the gravest is the likelihood that hardened old afterlife habits may not want to be bagged by newcomers eager to talk shop. Look at it from Babe Ruth's point of view:

Every day he has to put up with vile and tireless bargains from the insatiable Ty Cobb. He is sick and tired of hearing Ty say that any muscular lout can hit home runs, but only an artist can do what Ty Cobb could do.

To shake the childish Cobb, the Babe sneaks off to a bosky retreat that's not too well lit. I have trouble visualizing afterlife geography but I clearly see a beer keg in this retreat. It is Paradise, after all, isn't it?

So the Babe is hunkered down in a banquet hall, oh, say this lady, not one of his wives, from the Ziegfeld chorus line. And who comes over to talk baseball but Casey Stengel, doing his "Old Perfessor" number, which is to say, talking baseball non-stop and making no sense whatever.

Say the Babe ditches Casey and heads for a schoolyard to chat with a kid for whom he once hit a home run because the kid was dying. What happens? A gang of sports writers falls upon him.

"Who was the toughest pitcher you ever saw, Babe?" And what about that time you pointed to the stands just before you hit a homer into that very spot? Think you could have played for Steinbrenner, Babe?" And so on.

Now, imagine Mark McGwire has just checked in. A huge guy. Doesn't recognize a soul, though.

The wise policy for Mark would probably be to wait for Babe Ruth to come to him. If he seeks out Ruth during his first few centuries of afterlife he will almost certainly find the Babe scornful and insulting.

The money, Mark. Remember the money! Don't think for a moment that the Babe has forgotten he made only \$80,000 a year for being the Sultan of Swat. How do you think he's going to feel when he asks what a Sultan of Swat makes these days and you tell him, "Millions, Mr. Ruth, sir. Millions and millions."

I think he's going to say, "And you only hit 65 or 70 home runs a season? I hit 60 for a piddling \$80,000. If they'd paid me five or six million I could probably have hit 150 before the Fourth of July."

A cautious home-run king would avoid him. Don't press yourself on him, and one day he'll probably wave to you and say, "Hey, kid, let's go out for some beer and hot dogs and talk about hitting."

New York Times Service

Brush With Greatness: Is Painting a Leonardo?

By Jo Ann Lewis

Washington Post Service

WASHINGTON — Sometime in the past few weeks, anticipating controversy, a senior curator at London's National Gallery quietly rewrote the label on one of the gallery's lesser Renaissance paintings. The brush of Leonardo, it now says, might possibly be there.

Scholarly art books rarely make news. But the British curator assumed that new revelations by the curator of the National Gallery in Washington, David Alan Brown, would cause a dust-up in London. And the curator was right. Stories have landed on the front pages of The Times of London and the Observer, and in papers in Australia.

The stories trumpet Brown's claim that the National Gallery in London owns a painting by the young Leonardo da Vinci — perhaps his first — and didn't know it.

Brown's just-released book, "Leonardo da Vinci: Origins of a Genius," argues that the curly-haired figure of Tobias in the London gallery's "Tobias and the Angel," an early 15th-century Italian Renaissance painting attributed to the painter and sculptor Andrea del Verrocchio, was actually painted by Verrocchio's gifted student Leonardo, then 16. Brown also credits the young da Vinci with the animated, wavy-haired dog and wild-eyed, iridescent fish in the painting.

If Brown is right, London's "Tobias and the Angel," which he dates to 1468, is the long-sought "first" painting by the Renaissance master. With only 20 paintings now attributed to Leonardo, the possible discovery of a new one — and one from so early in his career — is bound to be news.

"Even Leonardo could not have arrived, full-blown, out of the head of Zeus," Brown said. "He had to start somewhere."

Art historians have, in fact, been arguing about what Leonardo (1452-1519) did or didn't paint since 1550, when the Italian painter and historian Giorgio Vasari wrote the first myth-shrouded account of Leonardo's "divine gift." To this day, little is known about this illegitimate boy wonder from Vinci. Especially scant are facts, and paintings, dating from the formative decade from age 14 on, which Leonardo spent as an apprentice and then assistant and collaborator to Florence's leading sculptor, Verrocchio.

It was to gain insight into that embryonic period, and the first glimmers of Leonardo's genius, that Brown undertook this



David Alan Brown, with the "Ginevra de' Benci" at the National Gallery.

scholarly quest. And through a masterly mix of visual argument and dogged scholarship, he brings those years, and the paintings they produced, vividly to life.

In the process, Brown also comes up with some news from Washington, where he has been National Gallery curator of Renaissance painting for 25 years. He claims that one-third of the gallery's great portrait of Ginevra de' Benci, the only painting by Leonardo in the Western Hemisphere, is missing.

No need to panic. Since 1967, when the National Gallery acquired (for a record \$1 million) this mesmerizing portrait of the pale, beautiful 16-year-old daughter of a Florentine banker, scholars have known that the damaged lower portion of the wood panel was long ago saved off. Until now, however, no one has figured out how much of the portrait was missing, or what was painted there.

With the aid of a computer and Brown's painstaking scholarship, gallery imaging technicians have managed to create a computer-generated reconstruction of the original "Ginevra," showing how it probably once looked with the missing eight inches attached. Brown has given her long elegant

hands, gracefully crossed at the wrist, holding a single flower.

The flower is generic, since there is not a clue as to what species it might have been. But Ginevra's new hands were lifted from an impeccable source: a metal-point drawing by Leonardo himself, now in Windsor Castle. Long suspected of being a study for the now-lost hands in the Ginevra portrait, the drawing proves to be a convincing and perfectly positioned fit.

With the help of another new technology, Brown has also made an unexpected discovery about the genesis of the "Ginevra" portrait. Uncovered while examining the painting of the laurel wreath and banner on the back of this two-sided panel, it provides absolute proof that Bernardo Bembo, the Venetian ambassador to Florence and Ginevra's platonic lover, was involved in the commission of this work, as had only been surmised.

Using a thermal imaging camera, Brown discovered Bembo's personal motto, "Virtue in Honor," buried beneath the top layer of paint. Painted over it is what we see today — Latin words that extol Ginevra's virtue and beauty. Brown now believes that the

front was a marriage portrait, and that the back was painted later to celebrate the courtly platonic love affair between Ginevra and Bembo, which was also described in contemporary sonnets.

In an interview last week, Brown said his purpose in writing yet another book on Leonardo — there are hundreds — was to sort out and codify the artist's early works, about which no comprehensive work has been published. "I'm interested in his creativity, and these are the earliest signs," said Brown. "I felt the 'Ginevra' and the 'Annunciation' in the Uffizi couldn't possibly be the artist's first works because they were too accomplished."

He began by taking a harder look at the paintings attributed to Verrocchio and his workshop, where collaboration between master and students was the norm. He soon isolated several trademark characteristics that separated Leonardo's brushwork from that of Verrocchio, who increasingly turned to his prize student to complete commissions that came his way. It helped that Leonardo had begun to use the then-new medium of oil paint (which Verrocchio never did), and his experiments left telltale signs.

Sometimes he used finger painting to blend shadows and achieve an overlay of atmosphere, which later became known as his famous *sfumato*. Brown said. There are also areas of wrinkled paint in "Tobias," as elsewhere — the result of the top layer drying before those beneath it. "If he'd fully understood the properties of oil paint, it wouldn't have happened," Brown said. "But he was teaching himself as he went along."

Most visible to the rest of us, however, is Leonardo's passion for curls and wavy hair. To clinch the argument in his book, Brown compares close-up photographs of these painted curls with some left-handed Leonardo drawings of flowing water and "Deluge Studies." Clearly, for Leonardo, the swirling forms of hair and rushing water could be rendered identically — and often were.

So far, Brown's new theories have encountered no audible opposition. But that takes time, he cautions. "You make a proposal and then see if a consensus builds around it. Given the strength of his argument and credentials, a consensus seems more likely. The great Leonardo scholar Piero Marani, curator of the Brera Museum in Milan, has already written Brown that "I completely agree" with his new "Tobias" attribution, and will say so in an upcoming book.

Sale of Reader's Digest Art

New York Times Service

NEW YORK — The Reader's Digest Association will auction off an estimated \$100 million worth of Impressionist and 20th-century works from its art collection, including some by such masters as Cezanne, Monet, Modigliani and Matisse.

While Sotheby's and Reader's Digest declined to comment on the auction, scheduled for November in New York, art experts said the house had been chosen to sell the works in a special evening sale during the height of the fall art season. The auction is a big coup for Sotheby's, which competed fiercely for it against Christie's.

But the choice, experts said, was an obvious one, since Sotheby's has been working with Reader's Digest for years, doing its appraisals and last May selling two paintings — a Monet and a van Gogh — which totaled \$6.2 million. Around the same time, Reader's Digest also sold a Braque still life privately.

The collection was collected by the publisher's founders, Lila Acheson Wallace and her husband, DeWitt Wallace, beginning in the 1940s. The highlights include two Modigliani portraits, a Matisse still life, a Cezanne landscape, two Monets — a landscape he painted at Vetheuil and one of his famous water lilies — and a van Gogh, which the artist painted in Auvers-sur-Oise in 1890.

The decision to sell now is partly timed to take advantage of the strong prices realized at auctions of the last several years.

ABOUT 35,000 fans and guests bade farewell to the film director Akira Kurosawa at a memorial service at his studio in Yokohama, Japan. About 4,000 guests inside the studio heard a eulogy delivered from the gold-room set used for one of the director's greatest films, "Ran." Kurosawa, whose works included "The Seven Samurai," "Kagemusha," "Rashomon" and "Yojimbo," died on Sept. 6 at the age of 88.

Sweden celebrated King Carl XVI Gustaf's 25 years on the throne on Tuesday, although festivities were quiet and intimate compared with a gala event in June marking the anniversary prematurely. The 52-year-old king celebrated with his family. Nordic heads of state and foreign diplomats. Crown Princess Victoria flew home from her studies at Yale University in

the United States, joining Queen Silvia, Prince Carl Philip and Princess Madeleine. The king had organized a larger event on the Swedish national holiday, June 6, so as not to conflict with the current general election campaign, which ends with the polls on Sunday.

Kevin Spacey, who triumphed as Hickey in Eugene O'Neill's "The Iceman Cometh" at the Almeida Theatre in London and then moved with the play to the Old Vic, is joining the board of the historic Old Vic. One of the world's most famous stages, the Old Vic was spared its final curtain this summer by a charitable trust created to preserve it.

After eight performances — actually seven and two-thirds, because one was halted by rain — Zhang Yimou's much-publi-

cized production of "Turandot" in the Forbidden City in Beijing closed. Asked how the \$15 million production had gone, Michael Ecker, the Austrian impresario who pulled it together, said that "artistically, it was a great success." The financial story is less clear. Ecker said that 87 percent of the seats had been sold but that corporate sponsorships, high-end sales and donations had been lower than expected.

Arthur Ochs Sulzberger, chairman of the Metropolitan Museum of Art for 11 years, will retire from that post by early next year. Sulzberger, chairman emeritus of The New York Times Co., reaches 73, the mandatory retirement age for a trustee, in 1999 and is advancing his departure by several months to make the search for his successor concurrent with the museum's search for a new president.



ROCK WEAR — A model in Tina Turner's Versace dress and Elvis Presley's biker jacket, with John Lennon's corduroy jacket and Madonna's military coat, to be auctioned at Sotheby's sale of rock memorabilia.



(take in a rock show)

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The World's Daily News
Clinton
Never Stopped

WASHINGTON — Clinton's new book, "My Life," is a memoir of his presidency and his life before and after the White House. It is a candid and often humorous look at the man behind the man in the White House.

Clinton's new book, "My Life," is a memoir of his presidency and his life before and after the White House. It is a candid and often humorous look at the man behind the man in the White House.

PUBLIC'S VERDICT — Americans believe Clinton should continue to serve as president, despite the scandal.

No Way Out Of This Crisis Is Evident in The Beltway

By R.W. Apple

WASHINGTON — The Clinton administration's handling of the scandal has been a disaster.

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